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An empirical exploration of the relationship between  
employee perceptions of competency model  
relevance and fairness and employee outcomes

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## Summary

A competency model is a written description of desired employee competencies that are derived from the firm's corporate strategy (Mansfield 1996) and intend to influence strategically aligned behavior (Sanchez and Levine 2009). Competency models have "exploded onto the field of human resources" (Shippmann et al. 2000, 704), yet there is little empirical knowledge of how employees perceive and respond to them. Following research indicating that employee perceptions of HR practices are the better indicator of their potential to produce performance outcomes (Edgar and Geare 2005), and calls for future research to assess how specific HR practices influence employee behavior (Wright and Boswell 2002), the present research seeks to contribute to our understanding of competency model effectiveness as tools of HRM by empirically exploring how employees perceive and respond to them, and how variances in individuals' perceptions result in different outcomes. Analysis of 278 employees across four service organizations in Norway showed that perceptions of competency model relevance and fairness were positively related to work effort, organizational citizenship behaviors, employability orientation, and career development activities, but not work quality. Perceptions of social exchange relationships were found to at least partially mediate the positive relationships between competency model perceptions and employee outcomes. Implications and future research directions are discussed.

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## 1.0 Introduction

The concept of competency was originally developed within psychology as “an organism's capacity to interact effectively with its environment” (White 1959, 297). Competency gained recognition in industrial/organizational (I/O) psychology after McClelland (1974) proposed competency assessment as a more valid measure of predicting job performance than traditional aptitude tests. It was further popularized with Boyatzis’ (1982) study, “The Competent Manager,” which provided empirical support for a competency-based model of effective managerial performance. Competency’s current organizational significance, however, is largely credited to Prahalad & Hamel’s (1990) conception of “core competencies” as the roots of firm competitiveness. Human resource competencies were promptly identified as the critical resource behind a firm’s core competencies, and, thus, competitive advantage (Lawler 1994, Nordhaug and Grønhaug 1994, Wright, McMahan and McWilliams 1994). Accordingly, competency has become acknowledged in the human resource management (HRM) literature as “a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviors, as well as collective team, process, and organizational capabilities that are linked to high performance, and provide the organization with sustainable competitive advantage” (Athey and Orth 1999, 216).

Competency-based HRM refers to the management of employees in line with those specific competencies an organization has determined will generate competitive advantage. It has become widespread over the past two decades, “exploding” onto the field of human resources (Shippmann et al. 2000, 704) with the intensity of the dynamic context it was developed to contend with. Competency-based HRM reflects the shift in both management strategy and approaches to human resource organizing that research suggests is required in the face of an increasingly changing environment. Specifically, it follows strategic management theories that an organization’s internally held resources and capabilities provide a stable basis for competitive advantage when operating in an uncertain environment (e.g., Barney 1991, Prahalad and Hamel 1990). Further, competency-based HRM stems from I/O psychology’s claim that competency-based organizing is more appropriate than job-based organizing in a

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unstable environment, as employee flexibility and the ongoing acquisition of new competencies is required to maintain and advance the capabilities of the organization (Lawler 1994).

Competency-based HRM typically revolves around a competency model: a written description of desired employee competencies that are derived from the firm's corporate strategy and are intended to facilitate organizational growth and change (Mansfield 1996). Competency models are generally acknowledged as a more strategic alternative to traditional job analysis (e.g., Sanchez and Levine 2009, Shippmann et al. 1999). They often become the center of elaborate HR programs that encompass recruitment and selection, training and development, feedback and incentives, career development, and talent management (Athey and Orth 1999, Campion et al. 2011, Derven 2008, Rodriguez et al. 2002), and, as such, are generally intended to align HR practices and prevent inconsistencies (Shippmann et al. 2000). The primary purpose of competency models, however, is to influence strategically aligned behavior by outlining the behavioral themes that are expected and rewarded across all jobs in the organization (Sanchez and Levine 2009). Competency models intend to make the corporate strategy transparent to employees, giving those who wish to succeed in the organization knowledge of what to focus on (Derven 2008, Sanchez and Levine 2009).

By intent, competency models should generate positive employee outcomes by increasing the consistency of HR practices and the transparency of goals and performance measures. In practice, however, competency models have been cited as a source of tension for employees. Qualitative research suggests that tension towards competency models comes from employees' lack of trust in management's strategy or not understanding their individual fit within a competency framework (Hayton and McEvoy 2006). Further, competency-based organizing requires that employees take greater personal responsibility for their professional development within the organization (Lawler 1994, Sanchez and Levine 2009), a task traditionally delegated to management. Such responsibility could lead to a perceived violation of the psychological contract (Rousseau 1989) in that employers fail to meet employee expectations of career development support. However, despite accounts that employees could respond

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negatively towards competency models, there has been little empirical inquiry to-date into how employees actually respond to them.

The literature on competencies and competency development has been accumulating for over 50 years, but the literature on competency modeling is not nearly as comprehensive. A majority of the existing literature is prescriptive, proposing best practices for competency modeling (Campion et al. 2011, Derven 2008, Hayton and McEvoy 2006, Mansfield 1996, Rodriguez et al. 2002) or future trends within the field (Athey and Orth 1999). Theoretical research has focused on identifying how competency models should differ from traditional job analyses (Sanchez and Levine 2009) and why companies adopt competency models (Muratbekova-Touron 2009). Shippmann and colleagues (2000) conducted a two-year investigation the range of competency model use across 37 organizations and provide a descriptive account of their findings.

Empirical research aimed at assessing employee perceptions of competency models or competency model effectiveness is scant. On the other hand, Caldwell (2008) conducted a survey and interviews to study the effectiveness of competency models in improving HR roles and delivering a more strategic HR function. His survey of 118 HR business partners across 114 UK-based organizations found that respondents believed competency models to be effective tools for selecting HR business partners (63 percent saying effective), but less effective in developing them (46 percent), predicting their future performance (24 percent), or linking HR strategy with business performance (47 percent). These findings suggest that the mere possession of a competency model does not ensure effective HR business partner performance or a tangible link between HR strategy and business performance. The study, however, did not test the relationship between HR business partner perceptions of competency model effectiveness and actual performance measures.

Another study conducted by Heinsman and colleagues (2008) examined the influence of both commitment and control approaches towards competency management, referring to an integrated set of HR practices aimed at optimizing the development and application of employee competencies, on employees' acceptance and intended use of such practices. A survey of 81 employees across a wide range of industries followed by a scenario experiment supported their

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hypothesis that a commitment approach to competency management (i.e., a competency management process characterized by employee involvement) was more significantly related to employees' acceptance of and intention to use competency management practices in their organization. Having both a positive attitude towards competency management and a feeling of control in the way competency management practices were applied, for example, in performance appraisals and personal assessments, were found to mediate this positive relationship. These findings lend further support to previous research suggesting that commitment-based HRM is related to more positive employee attitudes and outcomes than control-based approaches (e.g., Arthur 1994). However, a rather low reliability estimate for their control approach measure (.60) perhaps limit the validity of their findings. Further, this study only accounted for employees' general attitudes towards the use of competency-based HR in their organization and their intentions to use competency-based management, not assessments of the actual behavioral outcomes that could result from such practices.

This review of the competency model literature suggests that while satisfactory theoretical evidence supports the use of competency models as tools for HRM, empirical support for the effectiveness of competency models in practice is still lacking. Specifically, the relative absence of empirical research aimed at understanding how employees throughout an organization perceive and respond to competency models exposes a considerable gap in the literature. Empirical research indicates that employee perceptions of HR practices, not those of their employers, are the better indicator of the potential of a HR practice to produce performance outcomes (Edgar and Geare 2005), evidently because employee perceptions of "implemented" HR practices often differ significantly from the intentions behind them (Khilji and Wang 2006). However, drawing perceptions from single employees in an organization is not sufficient to draw valid conclusions regarding the performance potential of competency models. First, individual perceptions of HR practices have been shown to vary significantly in a single organization, implying that single respondent measures of HR practices are simply not reliable (Wright et al. 2001). Further, as the primary role of a competency model is to align employee behavior to corporate strategy, it has been suggested that their effectiveness be approached through the lens of

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organizational culture and climate theories, which propose a strategy's success depends on how employees *throughout an organization* understand and act on the strategy (Sanchez and Levine 2009). Exploring the experiences of several employees within a single organization is the most appropriate methodological approach to capture the variation in employee perceptions when assessing HR practices and climate constructs (Arthur and Boyles 2007). Such methodology is absent in the current empirical research of competency models.

Wright and Boswell (2002, 262) suggest that research aimed at assessing how specific HR practices influence employee behavior is an area "ripe of opportunity for future research." A number of recent studies in the HRM literature have set out to increase our understanding of how employee perceptions of HR practices impact employee outcomes using the multiple respondent method. Notably, employee perceptions of developmental HR programs (Kuvaas 2008) and performance appraisals (Brown, Hyatt and Benson 2010, Kuvaas 2006, 2007, 2010) have been studied, as have perceptions of developmental coaching (Agarwal, Angst and Magni 2009). The findings support that variances in employee perceptions of HR practices explain significant variance in employee outcomes. Consequently, the research suggests how (and under what conditions) such practices will be most effective. Accordingly, the overall objective of the present study is to extend our understanding of how employee perceptions of HR practices relate to employee outcomes within the context of an increasingly prevalent, but largely understudied HRM mechanism: competency modeling. As such, I intend to offer some needed insight as to how effective competency models are in eliciting positive employee outcomes.

The present study contributes to the literature by exploring the relationship between employee perceptions of competency models and employee outcomes. Employee perceptions of competency models (PCM) is defined as *the degree to which employees perceive the organization's competency model to be both strategically and personally relevant and fair*, based on Bowen and Ostroff's (2004) concept of HRM strength. As the literature surrounding competency-based organizing emphasizes the need for employees to contribute beyond specified job responsibilities (Lawler 1994), both job performance and organizational citizenship behavior (OCB) are included as



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dependent variables in the model. Further, it is suggested that the focus on employee flexibility and employee-led career development that is evident in competency-based HRM requires the need to investigate outcomes relating to employees' internal employability in more depth (Van Dam 2004). Thus, employability orientation and career development activities are also included as dependent variables. Exchange theory (Blau 1964, Shore et al. 2006) provides a framework for analyzing the relationship between employee perceptions of competency models and employee outcomes, following the lead of recent studies using such approaches (Kuvaas 2008, Song, Tsui and Law 2009).

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## 2.0 Defining the Independent Variable (PCM)

As the primary role of a competency model is to align employee behavior to corporate strategy, it is suggested that competency model effectiveness be approached through the lens of organizational culture and climate theories (Sanchez and Levine 2009), both of which suggest that strategically aligned behavior relies more on how employees collectively understand and act on corporate strategy than on the strength of the strategy itself. Theories of organizational culture propose that employees support strategy execution to the extent that they agree about what is valued by the organization and personally believe in these values (Chatman and Cha 2003). Likewise, theories of organizational climate suggest that strategically aligned behavior is dependent on the degree to which employees share perceptions of what is important, and what behaviors are expected and rewarded in the organization (Bowen and Ostroff 2004). Kuenzi and Schminke's (2009) differentiate the concepts of organizational culture and organizational climate, suggesting that culture reflects the collective agreement of underlying assumptions and values that lie tacit within the organization, while organizational climate reflects agreement on surface-level policies, practices, and procedures. As the present research focuses on employee perceptions and responses to an explicit HR practice, I have chosen to focus on the organizational climate literature as the foundation for developing the independent variable, employee perceptions of competency models, herein referred to as PCM.

While the organizational climate construct refers to agreement of what is important, expected, and rewarded in the organization at the aggregate level, individual-level perceptions are implicit as the origins of such collective phenomena (Kuenzi and Schminke 2009). Such "psychological climate perceptions" are influenced both by organizational context and individual differences. Accordingly, the appropriate level of analysis to derive meaning from organizational climate perceptions is at the individual level (Arthur and Boyles 2007, Kuenzi and Schminke 2009). Taking this approach also accounts for the variation in employee perceptions of HR practices that has been shown to exist within organizations (Wright et al. 2001). In light of such theoretical and empirical support, PCM is thus developed an individual-level construct.

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### ***2.1 Metafeatures of HRM Strength***

Prominent in the organizational climate literature is Bowen and Ostroff's (2004) proposal of nine metafeatures that determine the "strength" of a HRM system, and, thus, a strong organizational climate. Five factors relate more directly to the execution of HR practices, including the visibility of HR practices, understandability of HR practice content, HR practice validity (HR practices actually do what they say they do), consistency in HR messages, and internal agreement between HR decision makers. Four factors refer more to employee perceptions of HR practices. Relevance indicates whether employees perceive the HR practice as pertinent and important to reaching an important goal, both in terms of the organization (i.e., strategic importance) and the individual (i.e., personal value). Fairness refers to employee perceptions of whether HR practices are impartial. Legitimacy of authority refers to the degree to which employees perceive the behaviors outlined by HR practices to be formally supported within the organization. Finally, instrumentality indicates the degree to which employees anticipate the likely consequences of behavior.

It is I, not the authors, which have differentiated Bowen and Ostroff's (Ibid.) metafeatures between executional and perceptual categories. In truth, any of the nine metafeatures include both executional and perceptual facets. For example, HR practices can be executed by policy makers in a way that they believe is relevant and fair, yet the same practices could be perceived by employees as neither. Such a scenario would be characteristic the known phenomenon that there is often a discrepancy between "intended" and "implemented" HRM (Khilji and Wang 2006), where intended HRM refers to HR practices as formulated by HR policy makers, and implemented HRM refers to HR practices as experienced by employees. However, there is the suggestion in Bowen and Ostroff's (2004) work that those features I have labeled executional are tactical antecedents to the features I have labeled perceptual. For example, Bowen and Ostroff (Ibid.) state that perceptions of instrumentality are largely shaped by HR message consistency, and perceived legitimacy of authority is linked to the visibility of HR practices. As the present research seeks to evaluate employee perceptions of competency models, not their tactical execution per se, I have chosen to develop PCM in light of these consequential metafeatures.

All four perceptual features from Bowen and Ostroff's (Ibid.) research are suitable in assessing employee perceptions of HR practices. However, in the current study I focus on perceived relevance and fairness, guided by research in the competency model literature that suggests these as most appropriate.

### ***2.2 Perceptions of Relevance***

The present study is led by qualitative research that suggests tension towards competency models could result from employees' mistrust in management's strategy or not understanding their individual fit in the competency framework (Hayton and McEvoy 2006). Lack of perceived relevance is evident in such attitudes. Relevance, as proposed by Bowen and Ostroff (2004), refers to employees' beliefs that the HR practice and its prescribed behaviors are both strategically important and personally valuable to goal attainment. Accordingly, an employee lacking trust in management's strategy might lead to perceptions that a competency model derived from that strategy is not relevant, and thus, to employee resistance towards behaving in-line with the competency model. Research in the change literature supports that employees can be "resistant" to HR mechanisms that they do not believe promote the organization's best interests out of intentions to protect the organization (Piderit 2000). Further, an employee might not understand how displaying the behaviors outlined in the competency model will support their own needs or goals, and, consequently, not find any personal relevance in the model. Research in the organizational culture literature suggests that employees more readily adopt behaviors that support organizational success when they are consistent with behaviors that support individual values and goals (O'Reilly and Chatman 1986), i.e., are personally relevant. Based on the theoretical and empirical support above, the perceived relevance of the behaviors outlined in the competency model, both strategic and personal, should be essential in influencing employees to actually adopt those behaviors.

### ***2.2 Perceptions of Fairness***

The literature also cites that tension towards competency models could result from a perceived breach of organizational responsibility, specifically when

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it comes to managing employee's professional advancement within the organization (Lawler 1994, Sanchez and Levine 2009). Job security and promotion opportunity have long been part of employees' psychological contract perceptions, referring to the perceived obligations employees believe an organization will honor in return for their commitment and performance (Rousseau 1989). Such support is not absolute, however, in competency-based organizations. Lawler (1994) suggests that the loss of long-term job security and the decreased availability of hierarchical career paths that characterize competency-based organizations could be incompatible with the emphasis on increasing competency acquisition. He (Ibid.) questions if the lack of such support could be effectively substituted with other rewards.

As noted by Rousseau (1989), employees' expectations regarding reciprocal obligations are clearly linked with perceptions of fairness. Within the HRM literature, perceived fairness is typically assessed along three dimensions: distributive justice, referring to the perceived fairness of outcomes and rewards; procedural justice, referring to the perceived fairness of the procedures determining such outcomes and rewards; and interactional justice, referring to the perceived fairness of implementation or explanation of such procedures, outcomes, and rewards (Bowen, Gilliland and Folger 1988). Bowen and Ostroff (2004) propose fairness as a metafeature of HRM strength because research indicates that perceived fairness affects how positively HR practices are viewed and, thus, how capable they are to influence employee behavior. I suggest that perceived fairness is particularly relevant to the present study to address the speculation of perceived psychological contract violations that could result in competency-based organizations.

The preceding theory and empirical research provides support for the concepts of relevance and fairness as the basis of PCM. Accordingly, PCM is defined in this research as *the degree to which employees perceive the organization's competency model to be both strategically and personally relevant and fair.*

### **3.0 Theory And Hypotheses**

Based on theory and existing research, the projection of the present study is that employees who perceive their organization's competency model as strategically and personally relevant and fair will also demonstrate higher levels of work performance, organizational citizenship behaviors, employability orientation, and career development activities. Further, I suggest that exchange relationships will either provide further explanation of (i.e., mediate) the relationship between PCM and employee responses, or change the strength of (i.e., moderate) the relationship. The employee outcomes identified in this research are defined in the following sections, as is their hypothesized relationship to PCM. Exchange relationships are also discussed in more detail, and their role as either mediator or moderator in the relationship between PCM and the employee outcomes is hypothesized.

#### **3.1 Employee Outcomes**

The employee outcomes presented in this research comprise those work-related attitudes and behaviors that are theoretically supported to be appropriate within the scope of competency-based HRM. Each is discussed in more detail below.

##### *Job performance*

Job performance has long been an important criterion in HRM research, as aggregated individual performance is believed to contribute to organizational effectiveness. Job performance refers to the effectiveness with which employees perform activities that contribute to the organization's technical core (Borman and Motowidlo 1997). In the present research, job performance indicates both the effort an employee displays in carrying out his or her work tasks and how well he or she performs these work tasks, in accordance with pre-defined job responsibilities.

Focusing on job performance might seem misguided in the context of competency-based organizing, which questions the relevance of designing organizations around job structures at all (Lawler 1994). However, despite appeals to move away from job-based organizing, jobs continue to be the basis of most corporate structures, and most employees continue to be placed in

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specific job roles (Voskuijl 2005) even in organizations utilizing competency-based HRM. Accordingly, job performance is still a relevant performance measure to consider in evaluating competency model effectiveness.

My assumption is that employees who perceive their organization's competency model as being both strategically and personally relevant and fair will also display higher levels of work performance. This assumption is based on the theoretical support provided by Bowen and Ostroff (2004) that perceptions of both relevance and fairness are necessary to influence employee behavior. Their research argues that employee will be more likely to act in-line with an organization's HR mechanisms if they find them to be strategically and personally relevant to meeting specified goals, and fair in terms of distributive, procedural, and interactional justice principles. Competency models are HR mechanisms that seek to elicit strategically aligned behavior. Based on the proposal of Bowen and Ostroff (Ibid.), the extent to which an employee perceives the competency model as both relevant and fair should also reflect the extent to which the employee complies with the competency model by displaying strategically aligned behavior. This display of strategically aligned behavior should have positive impacts on job performance.

A review of empirical research provides support for the assumed link between perceived relevance and job performance. Empirical research has shown that HR practices that increase employees' emotional attachment to, identification with, and involvement in the organization (i.e., affective commitment) elicit higher levels of job performance (Meyer et al. 1989). Further, employees high on affective commitment have been shown to exert extra effort towards accomplishing organizational goals (Iverson and Buttigieg 1999). The degree to which employees perceive congruence between their personal values and goals and those held by the organization (referred to as "internalization" within the commitment literature) has been identified as an important basis for affective commitment (Meyer and Allen 1997, O'Reilly and Chatman 1986). Kelman (1958) stated that when individuals decide to adopt a behavior through internalization, they tends to perform it under conditions of relevance.

Empirical research also supports that perceived fairness should be related with job performance, again, via the bonds of affective commitment. Eisenberger

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and colleagues (1990, 1986) have demonstrated that perceived organizational support (POS), the extent to which an employee perceives the organization to value their contributions and care about their well-being, is an antecedent of affective commitment. Empirical studies provide evidence that perceptions of “supportive” HR practices contribute to the development of POS (Allen, Shore and Griffeth 2003). In particular, HR practices perceived as fair are interpreted as supportive, thus eliciting POS (Ibid.).

Based on the theory and empirical research presented above, it can be argued that if an organization's competency model elicits perceptions of shared values and goals (i.e., relevance), affective commitment should be fostered, which, in turn, promotes higher levels of job performance. Further, perceptions that the competency model is fair should, in turn, elicit perceptions of organizational support (POS), and thus, affective commitment, again enhancing job performance. Accordingly, it is hypothesized that:

**H1a:** *PCM will be positively related to job performance*

#### *Organizational citizenship behaviors*

The HRM literature increasingly recognizes the need for employees to contribute beyond job responsibilities, specifically in the context of competency-based organizing (e.g., Lawler 1994). As such, “contextual performance,” broadly indicating non-job-specific behaviors that contribute uniquely to organizational effectiveness (Motowidlo and Van Scotter 1994), is also an important employee performance outcome to consider. Whereas job performance is highly dependent on skill-based job proficiency, contextual performance is directed more towards helping and cooperating with others and carrying out tasks that go beyond job responsibilities (Borman and Motowidlo 1997).

Borman and Motowidlo's (Ibid.) conceptualization of contextual performance draws heavily from the concept of organizational citizenship behavior (OCB); therefore, I use OCB as a proxy for contextual performance in this research. OCB is often used in empirical research to indicate “contributions not contractually rewarded nor practicably enforceable by supervision or a job description” (Konovsky and Organ 1996, 253). OCB includes helping others in the organization and taking personal initiative to go beyond minimally required



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levels of performance (Podsakoff et al. 2000). Empirical studies have demonstrated that OCB is also related with organizational effectiveness, although some behaviors are more directly related than others (see Podsakoff et al. 2000 for overview).

My assumption is that employees who perceive their organization's competency model as being both strategically and personally relevant and fair will also display higher levels of OCB. As with job performance, this assumption is reflects theories of affective commitment (Meyer and Allen 1991, Meyer et al. 1989), which suggests employees who are more affectively committed to the organization will also more willingly exert extra effort in the workplace. The previous discussion on job performance elucidated the relationship between perceived relevance and fairness and affective commitment.

While effort could refer solely to work effort, a component of job performance in the present research, there is evidence that effort could go beyond job-specified roles. In fact, empirical research supports that the relationship between affective commitment and OCB is stronger than the relationship between affective commitment and in-role performance (Organ and Ryan 1995). The same study also found similar relationships between perceived fairness, OCB, and in-role performance (Ibid.).

Drawing from the theory of affective commitment and empirical research supporting the link between perceived relevance and fairness, affective commitment, and OCB, I argue that if an organization's competency model is perceived as both relevant and fair, it should, in turn, elicit perceptions of affective commitment, which, consequently, will promote higher levels of OCB. Accordingly, I hypothesized that:

**H1b:** *PCM will be positively related to OCB*

#### *Employability orientation and career development activities*

The concept of employability has been developed within the context of competency-based HRM, indicating, "the continuous fulfilling, acquiring, or creating of work through the optimal use of competences" (Van der Heijde and Van der Heijden 2006, 453). The emphasis on employee flexibility that exists

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within competency-based HRM indicates the need to investigate employability outcomes in more detail (Van Dam 2004).

Employability orientation refers to “employees’ openness to develop themselves and to adapt to changing work requirements” (Nauta et al. 2009, 234). Van Dam (2004) refers to employability orientation as “organizational employability,” indicating an employee’s ability to cope with changing work requirements within their organization. Employability orientation is identified as a precursor to employability activities, which include the proactive development of new competencies and the pursuit of new career trajectories within the organization (Ibid.). Van Dam (Ibid.) refers to employability activities as “individual employability,” referring to an employee’s ability to steer their own career development in lieu of less formal career management support. Employability activities are similar to a dimension of OCB that Podsakoff and colleagues (2000) refer to as self-development, indicating an employee’s voluntary efforts to enroll in activities that improve their knowledge, skills, and abilities, so that they are able to perform better in their current position, or in preparation for higher responsibility positions within the organization (George and Brief 1992). Accordingly, I refer to employability activities as career development activities in the present research. Both employability orientation and career development activities are focused on the individual’s continued employment within the organization. This should not be confused with other conceptualizations of employability that refer to an individual’s self-perceived prospects of finding new employment on the external labor markets (e.g., De Cuyper and De Witte 2011, Wittekind, Raeder and Grote 2009).

Empirical research has explored employability orientation both as a consequence of affective commitment (Van Dam 2004) and organizational culture (Nauta et al. 2009). Van Dam’s (2004) research adopts a social exchange view of commitment, suggesting, as I have in previous sections, that perceptions of organizational support (POS) generate perceptions of affective commitment, which, in turn, create feelings of obligation to increase behavior that supports organizational goals. Accordingly, assuming that employees’ perceive their openness to develop themselves and to adapt to changing work requirements as behaviors that support organizational goals, employability orientation and career

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development activities should be positively related to affective commitment. Coming from a different perspective, Nauta and colleagues (2009) research is approached through the lens of organizational culture, suggesting that perceptions that the organization values employee flexibility and proactive adaptation will be related to employability orientation, assuming, of course, that the employees share such values.

My assumption in the present research is that employees who perceive their organization's competency model as being both strategically and personally relevant and fair will also display higher levels of employability orientation and career development activities. As with the previous employee outcomes discussed, this hypothesis is based on theory and empirical research that supports that perceived relevance and fairness of the competency model should result in increased commitment towards displaying the strategically aligned behaviors outlined in the model. Further, this hypothesis acknowledges affective commitment as an employee's desire to remain with the organization (Meyer and Allen 1991). Competency models seek to give those who wish to succeed in the organization knowledge of what to focus on (Derven 2008, Sanchez and Levine 2009), and as such, should guide employees' career choices (Campion et al. 2011). Accordingly, perceptions of competency model relevance and fairness, which, in turn, lead to affective commitment, should also lead to an employee's proactive efforts to remain employable within the organization. As such, I hypothesize that:

**H1c:** *PCM will be positively related to employability orientation*

**H1d:** *PCM will be positively related to career development activities*

It should be noted that this hypothesis assumes the competency model contains some reference to employee flexibility, adaptability, or self-managed career development. Bowen and Ostroff (2004, 215) claim that a "HRM system can create a strong climate adaptable to change, *if* the content of the climate includes elements that focus on flexibility and innovation" (emphasis added). Accordingly, for the purpose of the present study, I assume that the very existence of a competency model in an organization makes salient the need for

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employee flexibility, adaptability, and self-managed career development, although there is no direct measure of such climate perceptions.

Researching employability outcomes based on an assumption that I do not actually measure (i.e., perceived climate for flexibility/adaptability) warrants further explanation. In fact, my interest in exploring the relationship between PCM and employability orientation and career development activities stems from the unexpected findings in Van Dam's (2004) study that perceptions of affective commitment were not related to employability orientation and employability activities, as hypothesized, and further, that perceptions of organizational support (POS) were negatively related to each employability outcome. These findings imply that the more an employee believes the organization values his or her contributions and cares about his or her well-being, the less willing he or she may be to take on new job assignments or engage in activities that aid in such adaptation and career development. Such findings suggest negative implications for organizations employing competency-based HRM.

Research within the psychological contract literature provides an explanation of why negative employee responses could result from organizational support perceptions. As previously discussed, the psychological contract has traditionally reflected expectations regarding job security and promotion opportunity (Rousseau 1989). The research of Bal, Chiaburu and Jansen (2010) demonstrates that perceived social exchange relationships (i.e., high POS) accentuate the negative relationship between perceived psychological contract breaches and employee outcomes. Therefore, employees who perceive organizational support from their organizations could respond more negatively to suggestions to adapt to changing work requirements and engage in professional development activities, because they consider it a breach to the psychological contract.

In sum, by exploring the hypotheses that PCM will be positively related to employability orientation and career development activities, as supported by theories of affective commitment, I am also able to investigate if PCM is actually detrimental to employee flexibility and adaptability attitudes and activities, presumably as a violation of the psychological contract.

### ***3.2 Exchange Relationships***

The relationships hypothesized between employees' perceptions of competency models and their work-related attitudes and behaviors could be better understood with an explanation of the mechanisms underlying such relationships. The discussion in the preceding section has already alluded to POS and affective commitment as underlying mechanisms, resulting from perceptions of relevance and fairness of the competency model. In the current section, these constructs are evaluated more thoroughly in terms of exchange relationships.

Blau's (1964) exchange theory states that human relationships can be understood in terms of an exchange of perceived equivalent values. Our relationships with others resemble a balancing act, where those who give want to receive something equivalent in return, while those who receive feel obligated to reciprocate. Under this premise, the relationship between employee and organization can be regarded as an exchange relationship. Employee perception is paramount in understanding the nature of the employee-organization exchange relationship, as it is the individual's interpretation of the meaning of the exchange that defines it (Shore et al. 2006). Accordingly, POS is part of the exchange construct, referring to the employee's perception of the organization's commitment to them (the employer's side of the exchange), which is then reciprocated with affective commitment and performance (Eisenberger, Fasolo and Davis-LaMastro 1990, Eisenberger et al. 1986).

Two categories of exchange relationships are presented under exchange theory. Economic exchange relationships are characterized as time defined, explicitly articulated agreements involving economic or other tangible resources. Economic exchanges define the most basic organization-employee relationships. The company rewards an action taken on behalf of the employee in the interest of the company in equivalent terms, typically by means of salary or another tangible incentive. Alternatively, social exchange relationships are perceived long-term, trust-based relationships based on anticipated reciprocity. Trust is fundamental to social exchange relationships, as the investments made on behalf of each party are done so based on expectations of reciprocity, not explicit promises of it (Blau 1964). Empirical research supports that high levels of POS relate directly to affective commitment, and, thus, social exchange, whereas

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low levels of POS do not elicit affective commitment, and relate directly to economic exchange (Shore et al. 2006).

Empirical research has demonstrated that exchange relationships can both mediate and moderate the relationship between employee perceptions of HR practices and employee responses to them. In the following sections, additional research supporting the role of exchange relationships as both mediators and moderators in the relationship between HR practices and employee outcomes is presented.

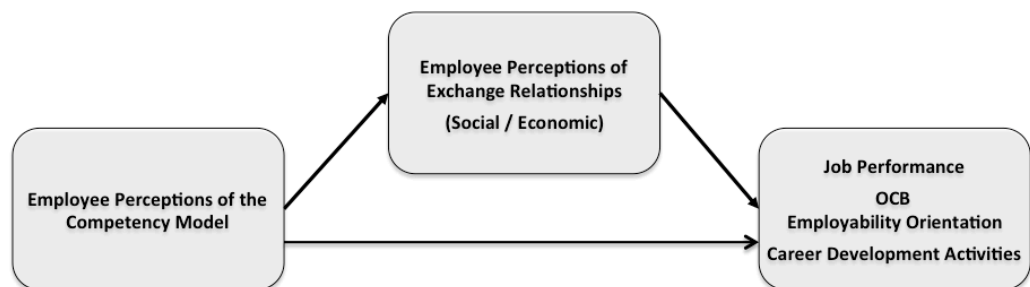
#### *Exchange relationship as mediator*

A mediation model suggests that the type of exchange relationship an employee perceives is a consequence of HRM and the type of exchange relationship that develops has implications on employee outcomes. According to theory and empirical studies, social exchange relationships should be perceived when employees perceive high levels of organizational support, and, in turn, feel affective commitment towards their organization. As such, competency models that elicit perceive relevance and fairness should, in turn, elicit a perceived social exchange relationship, resulting in positive work-related attitudes and behaviors. Alternatively, when employees fail to perceive relevance and fairness of the competency model, an economic exchange relationship could be perceived, resulting in negative attitudes and work behaviors. Figure 1. illustrates the hypothesized relationships in the current study, with exchange relationships as a mediator.

Research by Song, Tsui, and Law (2009) has investigated how exchange relationships mediate the relationship between HR mechanisms and employee outcomes. Their findings suggest that social exchange relationships at least partially mediate the positive link between perceptions of supportive HR mechanisms, including transformational leadership, integrative organizational cultures, and mutual investment employment approaches and task performance. Further, economic exchange relationships at least partially mediate the negative link between non-supportive HR mechanisms (hierarchical organizational culture and quasi-spot employment) and task performance and OCB. Accordingly, the findings of Song and colleagues (Ibid.) provide support that perceived exchange

relationships help translate employee perceptions of HR mechanisms into attitudinal and behavioral responses. However, the findings of only partial mediation suggest that other factors could be relevant to shaping employee outcomes. Further, their study did not demonstrate that social exchange relationship perceptions mediate the influence of supportive HR mechanisms on employees' OCB, although they suggest this finding could be due to measurement issues. Other research provides support for the positive relationship between perceptions of social exchange relationships and OCB as well as job performance (Kuvaas and Dysvik 2010, Shore et al. 2006)

**Figure 1.** *Mediation model*



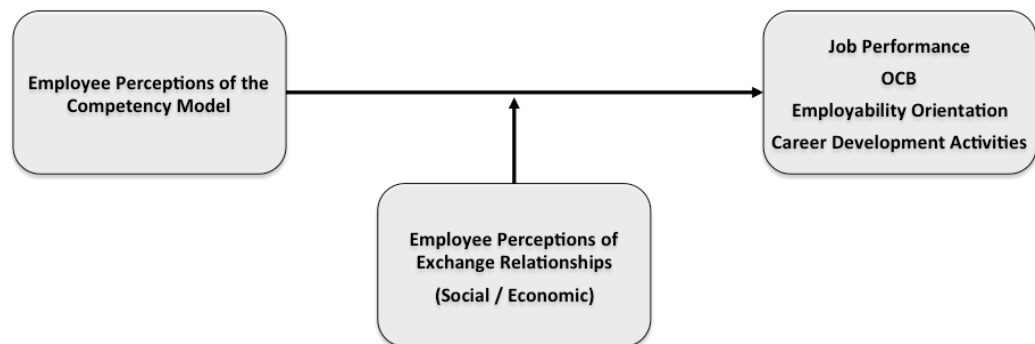
The theory and empirical findings presented this far suggest that the extent to which PCM is related to employee outcomes could be explained through the influence of PCM on exchange relationship perceptions. As such, competency models perceived as personally and strategically relevant and fair could elicit high levels POS, and, in turn, feelings of affective commitment towards the organization, which should elicit a perceived social exchange relationship. Alternatively, competency models that are not perceived as personally and strategically relevant and fair, thus failing to elicit POS and affective commitment, should result in a perceived economic exchange relationship. The perceived exchange relationship should, consequently, lead to differences in job performance, OCB, employability orientation, and employability activities. Accordingly, it is hypothesized that:

**H2:** *Perceptions of exchange relationships will mediate the relationships between PCM and (a) job performance, (b) OCB, (c) employability orientation and (d) career development activities*

*Exchange relationship as moderator*

Whereas a mediation model suggests that exchange relationships develop based on employees' level of POS towards a particular firm-level mechanism, a moderation model suggests that POS and the accompanying exchange relationship result from a global evaluation of the employee-organization dynamic, not just one component of it (Eisenberger et al. 1986). Employees who perceive high levels of organizational support will perceive a social exchange relationship with their organization, and, based on norms of reciprocity, these employees will be more committed and obliged to respond to HR practices. Therefore, whereas the previous mediation model refers to exchange relationships as a consequence of PCM, the moderation model implies that individual differences in the perceived global exchange relationships with the organization influences the strength of the relationship between PCM and responses to the competency model. Figure 2. illustrates the hypothesized relationships in the current study, with exchange relationships as a moderator.

**Figure 2.** *Moderation model*



Empirical research has demonstrated the moderating role exchange relationships can play in the relationship between various HR practices and employee responses. For example, Kuuvas (2008) found that employees with high levels of POS (i.e., social exchange relationships) exhibit a more positive relationship between developmental HR practices and work performance than employees with low levels of POS. His findings (Ibid.) also support that employees with low levels of POS (i.e., economic exchange relationships) exhibit a more negative relationship between developmental HR practices and work performance than employees with high levels of POS. In line with these findings, it could be suggested that employee's who perceive global social exchange



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relationships with their employer will be more committed and obliged to act in accordance with the organization's competency model, and thus, will display higher levels of job performance, OCB, employability orientation, and career development activities. Alternatively, employee's who perceive economic exchange relationships with their employer will be less committed and obliged to act in accordance with the competency model, and thus, will display lower levels of job performance, OCB, employability orientation, and career development activities. Accordingly, the hypothesis for moderation is:

**H3:** *The relationship between PCM and (a) job performance, (b) OCB, (c) employability orientation, and (d) career development activities will be moderated by (i) perceived social exchange relationships and (ii) perceived economic exchange relationships. The higher the perceived social exchange relationship, the more positive the relationships; the higher the perceived economic exchange relationship, the more negative the relationships.*

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## 4.0 Method

### ***4.1 Procedure and Sample***

A quantitative, cross-lagged research model was used to collect data for this study. Only organizations with sufficient and well-implemented competency models were invited to participate in the study. The availability of data from multiple sources (employees and their managers) was also required for participation, in order to reduce single source bias (Donaldson and Grant-Vallone 2002). My intention was to collect data on competency model perceptions, exchange relationship perceptions, employability orientation, and employability activities from employees and job performance and OCB data from managers. Four organizations matched these requirements: two consulting, one banking, and one property management. All organizations were located and operating in Norway. The suitability of the organization's competency model was confirmed through a discussion with the head of HR in each company. These discussions revealed that the competency models employed in all organizations were explicitly tied to other HR practices within the organization, notably, the performance appraisal process and training and development programs; however, each model was proprietary in its design and implementation.

Data was collected via a structured questionnaire that was translated in the local operating language (Norwegian) and distributed among 796 employees and 88 managers during the spring of 2011. Questionnaires were distributed using a web-based tool (QuestBack) to employee e-mail addresses provided by a HR representative at each organization. I used proximal separation techniques to reduce the possibility of common method bias in the employee surveys. Specifically, a survey measuring PCM and exchange relationships was distributed at the first time period, followed approximately four weeks later by a second survey measuring employability orientation and employability activities. Manager surveys measuring job performance and OCB were distributed once employee responses from both time periods had been collected.

The survey yielded data from 330 employees and 68 managers, resulting in 278 complete data sets (representing a 35 percent response rate). Of the respondents included in the complete data sets, 72 were women and 206 were

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men; 39 were project managers, 23 were in bank management, 22 were business managers and 194 were consultants; 144 were in senior level positions. The average tenure was 6 years. More than half of respondents (55 percent) held a Master's degree, or equivalent.

#### ***4.2 Measures***

Six variables were measured on individual scales. All items were measured on a five-point Likert response scale ranging from 1 (strongly disagree) to 5 (strongly agree). All scales are provided in English in Appendix A.

##### *Independent variable*

PCM was measured on an 11-item scale developed for the purpose of this study. The scale was based on the concepts of relevance and fairness presented by Bowen and Ostroff (2004), with the fairness items based on Colquitt's (2001) validated measure. Example items include, "I believe that the organization's competency model is relevant to the strategic goals of the organization," and "I believe I am rewarded fairly for behaving in line with the organization's competency model." As each organization referred to their competency model by a proprietary name, each item in the PCM scale was tailored to the participating company by exchanging "competency model" with the specific program name. The wording of the items was otherwise identical.

##### *Mediating/moderating variable*

Perceptions of social and economic exchange relationships were measured with a 16-point scale, used in Norwegian by Kuvaas and Dysvik (2009), adapted from the English scale used by Shore and colleagues (2006). In the scale, eight-items measure economic exchange relationships and eight-items measure social exchange relationships. Example items include, "The best description of my work situation is that I do what that which I am paid for," and "My relationship with the organization is based on mutual trust."

##### *Dependent variables*

Job performance was measured by manager ratings with a ten-item scale developed and validated in Norway by Dysvik and Kuvaas (2011) to capture how

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much effort employees put into their jobs as well as the quality of their work. Five items relate to work effort, and five items relate to work quality. Example items include "He/she tries to work as hard as possible," and "The quality of his/her work is usually high."

OCB was measured by manager ratings with an eight-item scale focused on those behaviors directed at contextual performance and improving the organization. Seven items came from the research of Van Dyne and Lepine (1998), however, with the term "work group" replaced with "organization" for all items and with slight modifications in the wording to make it clear that such behaviors go beyond what is expected in the job role. One additional item was taken from Smith, Organ, and Near (1983). Example items include, "He/she volunteers to do things for the organization that are not required," and "He/she helps others in the organization with their work responsibilities."

Employability orientation was measured with a five-item scale adapted from Van Dam's (2004) seven-item scale, intended to collect data on employee openness towards adaptation and development. An example item is, "If the organization needs me to perform different tasks, I am prepared to change my work activities." Two items were deleted from the Van Dam (Ibid.) scale, because they were determined too specific towards organizational change. Further, one item was extended to more directly indicate employability. Specifically, "I find it important to participate in development activities regularly" was supplemented with "in order to make myself more employable within the organization."

Employee involvement in career development activities was measured with a seven-item scale that was developed for the purpose of the current study, based on prior measures created by Van Dam (2004). Example items include, "I do a lot to manage my career in the organization," and "I proactively take on assignments and roles in addition to my normal job duties."

### *Control variables*

Several control variables were identified as relevant for this study, including employee gender and tenure with the organization, their position level, and their level of education. Organization tenure was measured in years. Gender was measured as a dichotomous variable coded such that 1 was female and 0 was

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male. Position level was a dichotomous variable created to reconcile the various positions employees held across the four organizations, and distinguish senior level employees who could have more involvement with corporate strategy, and thus, more investment in the competency model, from lower level employees who might not have much involvement. Senior level employees were coded with a 1 and lower level employees were coded with a 0. Education consisted of six levels: grade school or equivalent, high school or equivalent, Bachelor's degree or equivalent, Master's degree or equivalent, Ph.D, and other education.

### **4.3 Analysis**

First, I performed an exploratory principal component analysis with promax rotation on all multiple scale items to determine item retention. Only items with loading of 0.50 or higher on the target construct (Nunnally and Bernstein 2007), a cross-loading of less than 0.35 on other included factors (Kiffin-Petersen and Cordery 2003) and a differential of 0.20 or higher between included factors (Van Dyne, Graham and Dienesch 1994) were included in the computed scales.

To test the hypotheses, I used SPSS 18.0 (SPSS Inc., Chicago, IL) for linear regression modeling. To test the direct effect hypotheses (H1), the dependent variables were first regressed onto PCM. To test the hypotheses containing mediation relationships (H2), the three-step procedure recommended by Barron and Kenny (1986) was used. Baron and Kenny (Ibid.) argue that the following conditions must be met to support a mediating relationship. First, the independent variable must be significantly associated with the mediator. Second, the independent variable must be significantly associated with the dependent variables. Finally, the relationship between the independent and dependent variables should either disappear (full mediation) or significantly diminish (partial mediation) after the mediator is entered in the regression model.

To test the moderation hypotheses (H3), I used hierarchical moderated regression (Cohen and Cohen 1983). The interactions terms were computed by centering the independent and mediating variables before multiplying them with each other.

#### **4.4 Results**

##### *Primary component analysis*

The principal component analysis (see Appendix B) of self-reported measures revealed that eight of the eleven PCM measures loaded onto a single factor, with loadings for all but two of the items above .50. The two measures with low loadings were eliminated before the scale was computed (items 7 and 8). Three measures from the PCM scale that referred to the immediate manager's role in explaining and supporting the competency model (items 9-11 from Appendix A) loaded onto a separate factor and, therefore, were not included in the scale computation. Thus, the PCM scale was computed with six items.

The principle component analysis also showed that all eight measures of perceived social exchange relationships (PSER) loaded onto the target factor, with all loadings above .50. Accordingly, the PSER scale was computed with all eight items. Seven of the eight measures of perceived economic exchange relationships (PEER) loaded onto the target factor. Of these, six had loadings above .50. The scale for PEER was computed with these six measures. The employability orientation scale (EO) was computed with five measures that loaded onto the target factor and the career development activities (CDA) scale was computed with four measures that loaded onto the target factor.

Principle component analysis was also conducted for the leader-reported items to verify item retention. The job performance measure, consisting of both work effort (WE) and work quality (WQ) scales, and the OCB scale were computed with all intended items, as all measures loaded exclusive onto the target factors with values above .50.

Table 1 reports the means, standard deviations, and bivariate correlations for all the variables. Coefficient alphas indicating scale reliabilities for all computed scales are provided in parentheses.

##### *Regression analysis*

All independent variables were inspected by collinearity diagnostics prior to regression analysis. The lowest tolerance value was 0.646, well above the commonly accepted threshold value of 0.10 (Hair et al. 2010) Results from the regression models are presented in Tables 2 and 3.

**TABLE 1** Descriptive statistics, correlations, and scale reliabilities

	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1. Tenure <sup>a</sup>	6.06	7.20												
2. Gender <sup>b</sup>	0.259	0.44	0.04											
3. Education <sup>c</sup>	3.35	1.04	-0.31	0.01										
4. Level <sup>d</sup>	0.52	0.5	0.38	-0.02	-0.11									
5. PCM	3.34	0.67	0.01	0.12	-0.07	0.02	(.86)							
6. PSER	3.48	0.69	-0.02	0.04	-0.05	-0.04	0.52	(.87)						
7. PEER	2.36	0.75	-0.24	-0.14	0.1	-0.23	-0.2	-0.32	(.81)					
8. EO	3.84	0.64	-0.15	0.11	-0.1	-0.07	0.23	0.22	-0.05	(.80)				
9. CDA	3.13	0.68	-0.03	0.17	0.04	-0.05	0.22	0.23	-0.1	0.35	(.76)			
10. WE	3.98	0.73	0.02	0	-0.05	0.02	0.12	0.27	-0.27	0.03	0.25	(.91)		
11. WQ	3.75	0.70	-0.05	-0.06	0.04	-0.01	0.06	0.16	-0.16	-0.06	0.17	0.68	(.92)	
12. OCB	3.41	0.73	-0.08	0.09	0.08	-0.04	0.21	0.35	-0.25	0.14	0.26	0.65	0.52	(.93)

N = 278; coefficient alphas indicating scale reliabilities are in parentheses; correlations equal to or greater than 0.12 are significant at the 0.05 level and those equal to or greater than 0.15 at the 0.001 level.

<sup>a</sup> Tenure with the organization, in years

<sup>b</sup> Gender: Female = 1 and Male = 0

<sup>c</sup> Highest education completed: Grade school or equivalent = 1; high school or equivalent = 2; Bachelor's degree or equivalent = 3; Master's degree or equivalent = 4; Ph.D or equivalent = 5; other education = 0.

<sup>d</sup> Junior or senior level in the organization: Senior = 1 and junior = 0

PCM = perception of the Competency Model; PSER = perceived social exchange relationship; PEER = perceived economic exchange relationship; EO = employability orientation; CDA = career development activities; WE = work effort, WQ = work quality, OCB = organizational citizenship behavior.

The direct relationship hypotheses (H1) predicted a positive relationship between PCM and a) job performance, b) OCB, c) employability orientation, and d) career development activities. The regression analysis revealed that PCM was positively related with all dependent variables, excluding the work quality dimension of job performance. Coefficients for each significant relationship were as follows: work effort  $\beta = .12, p < 0.05$ ; OCB  $\beta = .20, p < .01$ ; employability orientation  $\beta = .21; p < .001$ ; career development activities  $\beta = .21, p < .001$ . Accordingly, these findings provide full support for hypotheses 1b-d and partial support for hypothesis 1a, in that PCM was positively related with the work effort dimension of job performance, although not work quality.

The mediation hypothesis (H2a-d) predicted that the relationship between PCM and the dependent variables would be mediated by employee perceptions of exchange relationships. The results in Table 2 reveal that the first condition for mediation was met, in that PCM was positively related to PSER ( $\beta = .52, p < 0.001$ ) and negatively related to PEER ( $\beta = -.18, p < 0.01$ ), when controlled for tenure, gender, education, and position level.

**TABLE 2** Regression results testing PCM with mediating variables

	PSER	PEER
Tenure	-.01	-.16
Gender	-.02	-.12
Education	-.02	.01
Level	-.05	-.17**
PCM	.52***	-.18**
$R^2$	.28	.13
$F$	20.75	8.23

Standardized regression coefficients are shown.  $N = 278$ .

\*  $p < 0.05$ .

\*\*  $p < 0.01$ .

\*\*\*  $p < 0.001$ .

The second condition for mediation, that PCM be directly related to the dependent variables, was already confirmed in testing the hypotheses 1a-d for all variables except work quality.

Table 3 provides data to assess the third condition for mediation, showing how the relationship between PCM and the dependent variables were affected



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after PSER and PEER were entered in the regression model. Although standardized betas were reduced among all dependent variables after PSER and PEER were included in the model, the only relationships that turned insignificant and implied full mediation were those between PCM and work effort and OCB (work effort from  $\beta = .12, p < 0.05$  to  $\beta = -.03, p < 0.10$ ; OCB from  $\beta = .20, p < .01$  to  $\beta = .03/-.03, p < .10$ ). The relationships between PCM and employability orientation and career development activities were reduced when PSER and PEER were entered into the model, (employability orientation from  $\beta = .21; p < .001$  to  $\beta = .14; p < .05$ ; career development activities from  $\beta = .21; p < .001$  to  $\beta = .13; p < .06$ ), but only marginally. Further, the relationships between PSER and PEER and the dependent variables were insignificant in all cases except in the relationship between PSER and career development activities ( $\beta = .15; p < .05$ ). As the relationship between PSER and employability orientation was marginally significant ( $\beta = .13; p < .06$ ), I ran Sobel tests (Preacher and Leonardelli 2001) using the computer software MedGraph (Jose 2003) in order to test the significance of mediation between PSER and the two employability outcomes. Sobel tests revealed that the relationship between PCM and career development activities was partially mediated by PSER ( $Z = 2.03, p < .04$ ). The relationship between PCM and employability orientation was not found to be mediated by PSER ( $Z = 1.875, p < .06$ ), although marginal indications of mediation is apparent in the test figure. Accordingly, only partial support was obtained for Hypotheses H2.

Finally, hypothesis 3 predicted that the relationship between PCM and the dependent variables should be moderated by employee perceptions of exchange relationships. The moderation model was tested in the third step of the regression analysis. Table 3 shows that of the five possible interactions, only the interaction term for OCB was significant ( $\beta = .12, p = .04$ ). In line with recommendations of (Cohen et al. 2003) I inspected the slopes, but found that the difference between low levels of PCM versus high levels of PCM was insignificant. Therefore, no support for the moderation hypotheses was found.

**TABLE 3** Regression results testing the direct, mediation, and moderation models

Step and variable	Work Effort			Work Quality			Organizational Citizenship Behavior			Employability Orientation			Career Development Activities		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
Tenure	0	-0.04	-0.05	-0.04	-0.06	-0.08	-0.06	-0.09	-0.09	-0.19	-0.19	-0.19	-0.01	-0.02	-0.02
Gender	-0.02	-0.04	-0.03	-0.06	-0.08	-0.07	0.07	0.06	0.06	0.1	0.1	0.1	.15*	.15*	.16*
Education	-0.04	-0.03	-0.02	0.03	0.04	0.04	0.07	0.08	0.09	-0.14	-0.14	-0.14	0.04	0.04	0.06
Level	0.02	-0.01	0.01	0.01	-0.01	0	-0.01	-0.03	-0.02	-0.01	0	0	-0.04	-0.04	-0.03
PCM	.12*	-0.03	-0.03	0.07	-0.02	-0.02	.20**	0.03	-0.03	.21***	.14*	.14*	.21***	0.13	0.13
PSER		.21**	.18*		0.13	0.1		.27***	.25***		0.13	0.12		.15*	0.12
PEER		-.22**	-.22**		-.15*	-.15*		-.18**	-.18**		0.01	0.01		-0.02	-0.02
PCM x PSER			-0.11			-0.12			-0.02			-0.01			-0.07
PCM x PEER			0.09			-0.03			.12*			0.07			0.1
$\Delta R^2$		0.1	0.02		0.04	0.01		0.1	0.02		0.01	0.01		0.02	0.02
$R^2$	0.02	0.12	0.14	0.01	0.05	0.06	0.06	0.16	0.18	0.1	0.11	0.12	0.08	0.09	0.11
F	0.94	5.02	4.74	0.61	2.08	1.98	3.43	7.52	6.45	6.02	4.88	3.99	4.52	4.03	3.76

Standardized regression coefficients are shown. N = 278.

\*  $p < 0.05$ .

\*\*  $p < 0.01$ .

\*\*\*  $p < 0.001$ .

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## 5.0 Discussion

The purpose of the present study was to explore the relationships between employee perceptions of competency models and various performance and employability outcomes. It was hypothesized that employees perceiving competency models as being both personally and strategically relevant and fair would display higher levels of work effort, work quality, OCB, employability orientation, and career development activities. Exchange relationships were hypothesized as both a mediator and a moderator in these relationships. Among the key findings, employee perceptions of competency models were positively related to work effort, OCB, employability orientation, and career development activities, although not work quality and these relationships were either fully or partially mediated by exchange relationship perceptions. Exchange relationships were not found to moderate any relationship.

These results make contributions to both the competency model and wider HRM literatures. First, my findings provide perhaps the most robust empirical evidence to-date of how employee perceptions of competency models relate to employee outcomes. The direct, positive relationships between PCM and the dependent variables (except work quality) suggest that when employees perceive a competency model to be both relevant and fair, this may facilitate their affective commitment towards the organization, and, as such, the exertion of extra effort in adopting behaviors that support organizational effectiveness and remaining employable within the organization. The relatively high mean value of PCM (3.34) suggests that the respondents generally reacted positively to their organizations' competency models. Thus, I found no evidence that the competency models employed in any of the participating organizations were poorly designed or implemented. However, the relatively high variance in employee responses to the PCM measure (standard deviation = 0.67) suggests that competency models have only varying success on the individual level. Such findings reflect the known discrepancy between the "intended" HRM initiated by management and the "implemented" HRM experienced by employees (Khilji and Wang 2006), and underlines the importance of targeting multiple respondents in research assessing HR practices in order to account for variance in individual experiences (Arthur and Boyles 2007).

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The findings also provide empirical support to the claim that competency models facilitate organizational growth and change (Derven 2008, Sanchez and Levine 2009). The present study focused on employability orientation and career development activities under the assumption that competency-based organizing requires employees to be both flexible and proactive in adapting to changing work requirements. The findings of a positive relationship between PCM and the employability outcomes was reassuring, provided that previous empirical research suggested employees display less employability orientation and engage in fewer career development activities when organizational support is perceived (Van Dam 2004). My findings suggest that employees perceiving their organization's competency model as both relevant and fair tend to display greater adaptability to work changes and proactive involvement in activities that aid career development within the organization. Although not supporting Van Dam's (Ibid.) earlier findings, my findings do align with research claiming that an employability climate or culture focused on flexibility and innovation should be positively related to employees' employability attitudes and activities (Bowen & Ostroff 2004, Nauta et al. 2009). Although the actual content of the competency models evaluated in this study is unknown, in theory, competency models should be the ideal HRM mechanism to promote employability attitudes and activities. My findings suggest that the likelihood of promoting such outcomes should be improved if employees perceive competency models as being both personally and strategically relevant and fair.

Although the direct relationship hypotheses for work effort and OCB were supported, no direct relationship was found between PCM and work quality. Previous empirical studies investigating the relationships between employee perceptions of HR practices and performance outcomes have resulted in similar findings (e.g., Dysvik, Kuvaas and Buch 2010). Such findings support that work quality is more likely a result of individual differences in the form of knowledge, skills, and abilities instead of something influenced by HR practices (Sonnetag and Frese 2002). In the present study, work quality could be interpreted as a function of individually held competencies rather than a result of performing in-line with an organization's competency model.

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In addition, this study contributes to the wider HRM literature by responding to the request for new empirical investigations assessing how specific HR practices influence employee outcomes (Wright and Boswell 2002). My findings align with other recent studies assessing how employee perceptions of specific HR practices relate to employee attitudes, behaviors, and intentions (Agarwal, Angst and Magni 2009, Brown, Hyatt and Benson 2010, Kuvaas 2006, 2007, 2010). Particularly, my findings also support that variances in employee perceptions of HR practices explain significant variance in employee outcomes, and that perceptions of “supportive” or “developmental” HR practices generally relate to more favorable responses. The present study contributes to our better understanding of the relationship between employee perceptions of HR practices and employee outcomes through a further investigation of the exchange relationship mechanisms that theoretically underlie this relationship. Previous research has set forth that HR mechanisms elicit employee outcomes through the affect they have on employees (e.g., Allen, Shore and Griffeth 2003, Rhoades and Eisenberger 2002). Song and colleagues (2009) identified and provided empirical support for exchange relationship perceptions at the junction between employee perceptions of HR mechanisms and their responses. Likewise, the present study lends further support for the mediating role of exchange relationship perceptions between perceptions of HR practices and employee outcomes.

Exchange relationship perceptions were found to fully mediate the positive relationship between PCM and work effort and OCB. This suggests that when employees perceive the competency model to be both relevant and fair, they, in turn, could perceive a social exchange relationship with the organization, and reciprocate by increasing their efforts to perform well, both in and beyond their assigned work tasks. Alternatively, if the model is not perceived as relevant and fair, work effort and OCB could suffer as a result of a perceived economic exchange relationship and the “tit-for-tat” attitude that generally characterize such relationships. On the other hand, the findings suggest that perceptions of social exchange relationships explain some of the variance in employability orientation and career development activities, but not perceived economic exchange relationships. Only partial mediation (or marginal indications of partial

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mediation) was indicated by the Sobel tests performed. Such findings suggest that employability orientation and career development activities are likely driven out of more than felt obligation to reciprocate. Provided that such activities are considered as necessary to ensure one's long-term employability within the organization, such outcomes could result as much from self-interest to remain with the organization as they do from felt obligation to support organizational objectives. Regardless of motive, the findings do suggest that employability orientation and career development activities come on top of increased work effort and OCB, and, as such, are value-added outcomes of perceptions of competency model relevance and fairness.

While the mediation hypothesis was supported, at least partially, the study yielded no support for the moderation hypothesis. As such, the findings maintain that there is a dynamic relationship between employee perceptions of HR practices and their perceptions of the exchange relationship held with their organization, which, in turn, relates with various outcomes; not a contingent relationship between HR practice perceptions and the dependent variables, which is impacted by the perceived exchange relationship. The lack of support for a moderation model suggests that context is perhaps more important than individual differences when determining how employees will react to competency models.

The finding that exchange relationship perceptions are not independent of PCM is perhaps justified given the HR practice under investigation. A moderation model suggests that exchange relationship perceptions result from a global evaluation of the employee-organization dynamic, not just one component of it (Eisenberger et al. 1986). Competency models, although a specific HR practice, are generally at the center of HRM, and, as such, are intended to be experienced across a wide-range HR touchpoints (Athey and Orth 1999, Campion et al. 2011, Derven 2008, Rodriguez et al. 2002). Accordingly, it could be that competency models are so diffused throughout employees' HRM experiences and, thus, the organizational climate, that it is unlikely global exchange relationship perceptions could exist independently of perceptions of the competency model.

### ***5.1 Limitations***

The contributions of this research should be viewed in light of several limitations. First, the research model was cross-lagged, but not longitudinal, making it impossible to draw inferences of causality or rule out the possibility of reverse causality. It is just as likely that employees' performance and employability attitudes and behaviors provide the lens through which they interpret competency models, and not vice versa, as implied. It is also possible that perceived exchange relationships and perceptions of competency models might reinforce each other, as opposed to a one-directional relationship. Future research that incorporates longitudinal designs would be necessary to test the various alternatives.

Second, the data could be inflated by single-source bias, as employee responses were used for to collect data for both independent and some of the dependent variables. However, only the paths leading to the employability outcomes may be in question. I used manager reports of job performance and OCBs rather than employee reports, in order to reduce the presence of response bias. I did try to reduce common-methods variance among the self-reported measures by distributing the perceptions scales and the employability outcomes scales at two different time periods. Results of a Harman's one-factor test (Podsakoff and Organ 1986) revealed that common-methods variance was not a serious threat in this study. Confirmatory factor analysis of all self-reported measures against a one-factor solution indicated that the single factor explained only 23.5 percent of the variance in the model.

Finally, data was obtained only from employees in Norwegian service organizations, limiting the generalizability of the findings. Accordingly, future research should replicate and extend the findings.

### ***5.2 Suggestions for Future Research***

Beyond conducting similar studies with the use of longitudinal designs, an interesting avenue for future research would be to conduct multi-level research in order to examine the relationships between competency model perceptions and employee outcomes at multiple levels of analysis. Business unit strategies, and, thus, focal competencies, often vary within a single organization, and

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“managerial competencies” often vary from the competencies promoted among non-managerial staff. Further, the individual psychological climate perceptions explored in the present study only contribute to a “strong” organizational climate (Bowen and Ostroff 2004), and, thus, organizational effectiveness, to the degree that such perceptions are shared among units and organizations. Although the present research found competency models to be generally well received among individuals, and related with individual-level performance and employability outcomes, future research is needed to make appropriate cross-unit and cross-level assessments of competency model effectiveness.

A second avenue for future research would be to explore the role perceptions of supervisor support play in the relationship between competency model perceptions and employee outcomes. Research indicates that organizations increasingly rely on line managers to implement HR practices, and that variation in manager implementation is related with variations in employees’ perceptions of HR practices (e.g., Purcell and Hutchinson 2007). Accordingly, there is a growing need to understand how line managers influence the relationship between organizational-level HR practices and individual-level responses. Exploring perceived supervisor support is particularly interesting within the current context as empirical studies indicate that supervisors help foster shared climate perceptions (Naumann and Bennett 2000) and that employees perceiving high-quality relationships with their supervisors have more positive climate perceptions than employees who perceive low-quality relationships (Doherty and Kozlowski 1989). Lending to the organizational climate perspective, supervisor support could be interpreted as signals of legitimate authority, one of Bowen and Ostroff’s (2004) perceptual factors contributing to climate strength.

The partial mediation results found for the employability outcomes suggest that exchange relationships are not fully responsible for shaping employees’ attitudes towards work-place adaptability or motivating their personal career management activities. Accordingly, future studies could explore perceived supervisor support or other mediating variables (e.g., prosocial motivation) to better understand how competency models elicit desired employability outcomes.



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Finally, the findings of this study support that there is considerable variance in employees' individual perceptions of competency models. Accordingly, future research could explore how certain individual difference variables (e.g., prosocial motivation, self-efficacy perceptions) are related to attitudes towards competency models. Such findings would help contribute to better selection and recruitment processes for organizations using competency-based HR practices.

### ***5.3 Practical Implications***

If the associations between PCM, exchange relationships, and the dependent variables do in fact represent causal relationships, my findings may have important implications for practice. My findings suggest that competency models perceived as strategically and personally relevant and fair enhance perceptions of social exchange relationships, which, in turn, increase employees' work effort, helping behaviors, attitudes towards work-place adaptability and proactivity towards internal career management. Accordingly, efforts to increase perceptions of relevance and fairness of the organization's competency model would likely be reciprocated with higher levels of such outcomes.

Agents enacting competency models (e.g., HR managers, line managers) largely influence the perceived relevance and fairness of the model. Bowen and Ostroff (2004) suggest that the perceived relevance of a HR practice is largely dependent on the perceived capabilities a employee believes the agent has in aiding them towards goal achievement as well as the likelihood that the agent will use these capabilities accordingly. Capabilities that foster perceived relevance include the prestige of the agent and his or her ability to provide expert knowledge, allocate resources, or apply sanctions. Agents can also foster perceptions of fairness towards HR practices by being transparent about the rules of rewards distributions and giving employees a voice in the procedures governing the HR practice. Accordingly, sufficient training should be provided to those managers who enact competency models, to inform them of the role they play in fostering employee perceptions of relevance and fairness, and provide them with the skills necessary to foster such perceptions.

Although the findings of this study suggest that the perceived relevance and fairness of competency models is key to elicit higher levels of work effort, there is no support that such perceptions contribute to higher levels of work quality. These findings suggest that competency models are effective tools for aligning employees' attitudes and behavior, but not necessarily for improving employees' actual competencies. Using competency models as a foundation of recruitment and selection could help organizations bring the right competencies into the organization (Rodriguez et al. 2002). Competency models can also help management assess training needs (Derven 2008). However, actual training and development programs are necessary to maintain and grow those competencies needed within the organization. In the current study, the lack of support for a relationship between PCM and work quality could indicate that the training and development programs linked to the competency model are not as effective as they should be.

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## 6.0 Conclusion

In conclusion, this research study has looked at the relationship between employee perceptions of competency models and various employee outcomes, and determined if exchange relationships mediate or moderate this relationship. The findings support that competency models perceived as strategically and personally relevant and fair are positively related to employee work effort, OCB, employability orientation, and career development activities. Exchange relationships were found to fully mediate the relationship between PCM and work effort and OCB. Social exchange relationships were found to partially mediate the positive relationship between PCM and employability orientation and career development activities. No support was found that exchange relationships moderate the relationship between PCM and employee outcomes, thus providing further support for a dynamic relationship between PCM, exchange relationship perceptions, and employee outcomes, rather than a contingent relationship between PCM and employee outcomes that is impacted by perceived exchange relationships. Future research should continue assessing employee perceptions of competency models in order to improve our knowledge about the effectiveness of competency models and our skills in implementing competency models in different organizations. Specifically, exploring multi-levels of analysis and the role of perceived supervisor support as a moderating variable are two suggested paths for future research.

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**APPENDIX A****Measurement Scales***PCM*

1. I believe that the organization's competency model is relevant to the strategic goals of the organization.
2. I believe that the behaviors outlined in the organization's competency model are optimally suited for attaining organizational goals.
3. I believe that the behaviors outlined in the organization's competency model are relevant to meeting my personal goals.
4. Adopting the behaviors outlined in the organization's competency model allows me to meet my own needs.
5. I believe that my personal values and goals fit well within those of the organization's competency model.
6. I believe I am rewarded fairly for behaving in line with the organization's competency model.
7. I feel that the organization's competency model is applied consistently.
8. I feel that I am able to express my views and feelings towards the organization's competency model and its implementation.
9. I feel that the organization's competency model respects the unique contributions that I bring to the organization.
10. I feel that my local management has provided sufficient explanation of the purpose of the organization's competency model.
11. I feel that my local management has provided sufficient explanation of the procedures associated with the organization's competency model.
12. I feel that my manager supports my compliance with the organization's competency model.

*Exchange Relationships*

1. The best description of my work situation is that I do that which I am paid for.
2. My relationship with the organization is impersonal – I have little emotional involvement with my job.
3. I only want to do more for my organization when I see that they will do more for me.
4. I do that which is required of me, mainly because I get paid for it.
5. I care little about what the organization can do for me in the long term; I am more concerned with what is provided now.
6. I am very careful that there is a match between what I give to the organization and what I receive in return.
7. My relationship with the organization is primarily economic-based; I work and they pay me.
8. The only thing I really expect from the organization is that I am paid for the effort I put into the job.
9. I will gladly work extra hard today as I am sure that the organization will eventually reciprocate this effort.
10. I am concerned that all I have done for this organization will never be reciprocated. [rev]
11. My relationship with the organization is very much based on mutual helpfulness; sometimes I give more than I get, other times I get more than I give.
12. Although the organization may not always give me the recognition I think I deserve, I choose to see the bright side anyway because I will probably get something back in the long run.
13. My relationship with the organization is based on mutual trust.
14. My organization has invested a lot in me.
15. I try to help safeguard the interests of the organization because I trust that it will take good care of me.
16. I think that the effort I put into work today will be beneficial to my position in the organization in the longer term

*Employability Orientation*

1. If the organization needs me to perform different tasks, I am prepared to change my work activities.
2. I find it important to develop myself in a broad sense, so I will be able to perform different tasks or jobs within the organization.
3. I find it important to participate in development activities regularly in order to make myself more employable within the organization.
4. I am willing to start in another job within the organization.
5. If the organization offered me a possibility to obtain new work experiences, I would take it.

*Career Development Activities*

1. I do a lot to manage my career within the organization.
2. I make sure to be informed about internal job vacancies.
3. I have been looking for possibilities to change my working situation.
4. I seek out developmental activities that benefit my employability within the organization.
5. I proactively take on assignments and roles in addition to my normal job duties.
6. I try to gain a wider understanding of the business by taking on additional assignments and projects.
7. I seek out developmental activities that I know will be most beneficial to the organization.

*Job Performance (manager rated)*

1. He/she tries to work as hard as possible
2. He/she intentionally expends a great deal of effort in carrying out his/her job
3. He/she often expends extra effort in carrying out his/her job
4. He/she often expends more effort when things are busy at work
5. He/she usually doesn't hesitate to put in extra effort when it is needed
6. The quality of his/her work is usually high
7. The quality of his/her work is top-notch
8. He/she delivers higher quality than what can be expected
9. He/she rarely completes a task before he/she knows that the quality meets high standards
10. Others in my organization look at his/her work as typical high quality work

*OCB (manager rated)*

1. He/she volunteers to do things for my organization that are not required.
2. He/she helps orient new employees into the organization, even though it is not required of me.
3. He/she attends functions that help my organization, even though they are beyond the formal requirements of my job.
4. He/she assists others with their work for the benefit of the organization.
5. He/she gets involved in order to benefit the organization.
6. He/she helps others in the organization to learn about the work.
7. He/she helps others in the organization with their work responsibilities.
8. He/she makes innovative suggestions to improve the organization.

**APPENDIX B**

**Principle component analysis with promax rotation**

*Self-Reported Scales*

Items	PCM	PSER	PEER	EO	CDA
<b>PCM8:</b> The unique contributions that I bring to the organization are appreciated, even if they are not explicit in the <<Competency Model>	.387	.466			
<b>PCM2:</b> The knowledge, skills and behaviors outlined in the organization's <<Competency Model>> help me to meet the needs of my organization	<u>.898</u>				
<b>PCM3:</b> The knowledge, skills and behaviors outlined in the organization's <<Competency Model>> help my own professional development	<u>.813</u>				
<b>PCM4:</b> My personal values and goals are compatible with the organization's <<Competency Model>>	<u>.775</u>				
<b>PCM1:</b> The knowledge, skills and behaviors outlined in the organization's <<Competency Model>> support the organization's strategy and goals	<u>.757</u>				
<b>PCM5:</b> I am rewarded fairly for displaying the knowledge, skills, and behaviors expressed in the organization's <<Competency Model>>	<u>.633</u>	.316			
<b>PCM6:</b> The expectations and rewards attached to the organization's <<Competency Model Name>> are applied consistently within my work group.	<u>.547</u>				
<b>PCM7:</b> I am able to freely express my views and feelings towards the organization's <<Competency Model>> and its implementation	.392				
<b>PSER15:</b> I try to help safeguard the interests of the organization because I trust that it will take good care of me.		<u>.801</u>			
<b>PSER16:</b> I think that the effort I put into work today will be beneficial to my position in the organization in the longer term		<u>.786</u>			
<b>PSER11:</b> My relationship with the organization is very much based on mutual helpfulness; sometimes I give more than I get, other times I get more than I give.		<u>.779</u>			
<b>PSER13:</b> My relationship with the organization is based on mutual trust.		<u>.755</u>			
<b>PSER12:</b> Although the organization may not always give me the recognition I think I deserve, I choose to see the bright side anyway because I will probably get something back in the long run.		<u>.752</u>			
<b>PSER9:</b> I will gladly work extra hard today as I am sure that the organization will eventually reciprocate this effort.		<u>.748</u>			
<b>PSER14:</b> My organization has invested a lot in me.		<u>.608</u>			
		<u>.578</u>	-0.315		

<b>PSER10:</b> I am concerned that all I have done for this organization will never be reciprocated. [rev]					
<b>PEER4:</b> I do that which is required of me, mainly because I get paid for it.					<u>.838</u>
<b>PEER3:</b> I only want to do more for my organization when I see that they will do more for me.					<u>.751</u>
<b>PEER1:</b> The best description of my work situation is that I do that which I am paid for.					<u>.683</u>
<b>PEER6:</b> I am very careful that there is a match between what I give to the organization and what I receive in return.					<u>.664</u> <u>.635</u>
<b>PEER7:</b> My relationship with the organization is primarily economic-based; I work and they pay me.					<u>.534</u>
<b>PEER2:</b> My relationship with the organization is impersonal – I have little emotional involvement with my job.					.313
<b>PEER8:</b> The only thing I really expect from the organization is that I am paid for the effort I put into the job.					
<b>EO2:</b> I find it important to develop myself in a broad sense, so I will be able to perform different tasks or jobs within the organization.					<u>.786</u>
<b>EO3:</b> I find it important to participate in development activities regularly in order to make myself more employable within the organization					<u>.734</u>
<b>EO5:</b> If the organization offered me a possibility to obtain new work experiences, I would take it.					<u>.719</u>
<b>EO1:</b> If the organization needs me to perform different tasks, I am prepared to change my work activities.					<u>.703</u>
<b>EO4:</b> I am willing to start in another job within the organization.					<u>.610</u>
<b>CDA6:</b> I try to gain a wider understanding of the business by taking on additional assignments and projects.					<u>.795</u>
<b>CDA5:</b> I proactively take on assignments and roles in addition to my normal job duties.					<u>.786</u>
<b>CDA1:</b> I do a lot to manage my career within the organization.					<u>.655</u> <u>.588</u>
<b>CDA2:</b> I make sure to be informed about internal job vacancies.					
Eigenvalues	4.353	9.644	2.892	2.300	1.883
% of variance	10.617	23.522	7.053	5.609	4.593
Factor loadings less than 0.30 are not shown; underlined loadings are included in the final scales. PCM = perception of the Competency Model; PSER = perceived social exchange relationship; PEER = perceived economic exchange relationship; EO = employability orientation; CDA = career development activities.					

*Supervisor-Reported Scales*

Item	WE	WQ	OCB
<b>WE1:</b> He/she tries to work as hard as possible.	<u>.781</u>		
<b>WE2:</b> He/she intentionally expends a great deal of effort in carrying out his/her job.	<u>.714</u>		
<b>WE3:</b> He/she often expends extra effort in carrying out his/her job.	<u>.902</u>		
<b>WE4:</b> He/she often expends more effort when things are busy at work.	<u>.833</u>		
<b>WE5:</b> He/she usually does not hesitate to put in extra effort when it is needed.	<u>.910</u>		
<b>WQ1:</b> The quality of his/her work is usually high.		<u>.876</u>	
<b>WQ2:</b> The quality of his/her work is top-notch.		<u>.871</u>	
<b>WQ3:</b> He/she delivers higher quality than what can be expected.		<u>.716</u>	
<b>WQ4:</b> He/she rarely completes a task before her/she knows that the quality meets high standards.		<u>.919</u>	
<b>WQ5:</b> Others in my organization look at his/her work as typical high quality work.		<u>.844</u>	
<b>OCB1:</b> He/she volunteers to do things for my organization that are not required.			<u>.677</u>
<b>OCB2:</b> He/she helps orient new employees into the organization, even though it is not required of me.			<u>.815</u>
<b>OCB3:</b> He/she attends functions that help my organization, even though they are beyond the formal requirements of my job.			<u>.885</u>
<b>OCB4:</b> He/she assists others with their work for the benefit of the organization.			<u>.816</u>
<b>OCB5:</b> He/she gets involved in order to benefit the organization.			<u>.911</u>
<b>OCB6:</b> He/she helps others in the organization to learn about the work.			<u>.706</u>
<b>OCB7:</b> He/she helps others in the organization with their work responsibilities.			<u>.729</u>
<b>OCB8:</b> He/she makes innovative suggestions to improve the organization.			<u>.806</u>
<b>Eigenvalues</b>	9.561	2.246	1.132
<b>% of variance</b>	53.114	12.477	6.290

Factor loadings less than 0.30 are not shown; underlined loadings are included in the final scales. WE = work effort, WQ = work quality, OCB = organizational citizenship behavior.



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## Summary

A competency model is a written description of desired employee competencies that are derived from the firm's corporate strategy and are intended to facilitate growth and change (Mansfield, 1996). The primary purpose of the competency model is to influence strategically aligned behavior (Sanchez & Levine, 2009). They are often the center of more elaborate HRM frameworks that encompass recruitment and selection, training and development, feedback and incentives, career development, and talent management (Athey & Orth, 1999; Derven, 2008; Rodriguez, et al., 2002). Despite the increasing popularity of competency-based HRM, there is no empirical knowledge of how effective competency models really are. The current research will contribute to our understanding of competency model effectiveness, by empirically exploring how employees perceive and respond to competency models, and how variances in individuals' perceptions result in different responses. Exchange relationships are explored as a potential mediator/moderator. The theoretical framework and hypothesis are provided in the attached report. The study is planned to commence in Feb'11.

## Introduction

The concept of competency was originally developed within psychology as “an organism's capacity to interact effectively with its environment” (White, 1959, p. 297). McClelland (1974) popularized the concept when he proposed competency as an alternative to intelligence in measuring and predicting human performance. More recently, strategic management has identified “core competencies” as the roots of competitiveness (Prahalad & Hamel, 1990), and proposed human resource competencies as the critical resource behind a firm’s competitive advantage (Nordhaug & Grønhaug, 1994; Wright, McMahan, & McWilliams, 1994). As a result, competencies have become acknowledged in the human resource management (HRM) literature as “a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviors, as well as collective team, process, and organizational capabilities that are linked to high performance, and provide the organization with sustainable competitive advantage” (Athey & Orth, 1999, p. 216).

Competency in its current incarnation is derived from strategic management’s resource-based view (RBV) of the firm, which proposes that a firm’s competitive advantage comes from within (Barney, 1991). However, competency-based HRM emerged from I/O psychology’s claim that job-based organizing is inadequate when companies function in relation to rapidly changing external factors (Lawler, 1994). As the environment becomes increasingly unstable, firms must continuously change in order to stay competitive. Employees must be equally adaptive. Job demands vary based on market demands, and can be impacted by organizational restructuring and downsizing. As such, employees need to let go of corporate ladder climbing mindsets, become more flexible, and take initiative in the acquisition of horizontal competencies (Lawler, 1994).

Competency-based HRM typically revolves around a competency model, a written description of desired employee competencies that are derived from the firm’s corporate strategy and are intended to facilitate growth and change (Mansfield, 1996). Originally proposed as a more strategic alternative to traditional job analysis (Fisher, Schoenfeldt, & Shaw, 2003; Voskuil, 2005), competency models have since “exploded onto the field of human resources”

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(Shippmann, et al., 2000, p. 704), becoming the center of more elaborate HRM frameworks, that encompass recruitment and selection, training and development, feedback and incentives, career development, and talent management (Athey & Orth, 1999; Derven, 2008; Rodriguez, et al., 2002).

The primary purpose of the competency model is to influence strategically aligned behavior by outlining the behavioral themes that are expected and rewarded across all jobs in the organization (Sanchez & Levine, 2009). As such, competency models are consistent with conceptions of HRM as a process, where HRM practices “send signals to employees that allow them to understand the desired and appropriate responses and form a collective sense of what is expected” (Bowen & Ostroff, 2004, p. 204). Competency models intend to make the corporate strategy transparent to employees, so that those who wish to succeed in the organization have the knowledge of what to focus on (Derven, 2008; Sanchez & Levine, 2009). In practice, however, competency models can be a cause of tension for employees (Hayton & McEvoy, 2006).

Tension towards competency models could come from different sources. It could be that employees lack trust in management’s strategy, or do not understand their individual fit within a competency framework (Hayton & McEvoy, 2006). Further, competency-based organizing requires that employees take greater personal responsibility for their career development within the organization (Lawler, 1994; Sanchez & Levine, 2009), a task traditionally delegated to management. Such added personal responsibility could be seen as a violation of the psychological contract (Rousseau, 1989), in that employers fail to meet employee expectations of reciprocal obligation (e.g., career development support).

The literature on competencies and competency development has been accumulating for over 50 years; however, the literature on competency modeling is neither wide nor deep. A majority of the literature is prescriptive, proposing best practices for competency modeling (Derven, 2008; Hayton & McEvoy, 2006; Mansfield, 1996; Rodriguez, et al., 2002) or future trends within the field (Athey & Orth, 1999). Theoretical research has focused on identifying how competency models differ from traditional job-analyses (Sanchez & Levine, 2009) and why companies adopt them (Muratbekova-Touron, 2009). Empirical research is

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scarce. Shippmann and colleagues (2000) conducted a two-year investigation the range of competency model use in organizations, and how it differed in practice from traditional job analysis. Caldwell (2008) conducted a survey and interviews to study their effectiveness in improving HR roles and delivering a more strategic HR function. His findings support that competency models are not effective for this purpose.

Although there is some anecdotal evidence (Hayton & McEvoy, 2006) and theoretical predictions (Lawler, 1994) of the negative feelings employees could have towards competency models, there is no empirical understanding of how employees actually respond to them. This exposes a considerable gap in the literature. Research has shown that employee perceptions of HRM practices are perhaps the best indicator of their potential to produce performance outcomes (Edgar & Geare, 2005). Further, as the primary role of a competency model is to align employee behavior to corporate strategy, it is suggested that they are best understood through the theories of organizational culture, which propose a strategy's success depends more on how employees understand and act on it than on the strength of the strategy itself (Sanchez & Levine, 2009). Based on such argumentation, until we know something about how employees perceive and respond to competence models, we essentially know nothing about their effectiveness.

Accordingly, this research will contribute to the literature by empirically exploring how employees perceive and respond to competency-models, and how variances in individuals' perceptions result in different responses. For simplicity, we will hereinafter refer to employees' perceptions of competency models as PCM. The research model draws on the organizational culture and climate literature (Bowen & Ostroff, 2004; Chatman & Cha, 2003) to define PCM. Blau's (1964) theory of exchange relationships provides a framework for analyzing the relationship between PCM and employee responses, following recent studies using such models (Kuvaas, 2008; Song, Tsui, & Law, 2009). Consequently, the research seeks to understand the relationship between PCM and employee responses, and to determine if exchange relationships mediate or moderate this relationship. A review of all variables included in the research model follows along with the study's proposed hypotheses.

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## Theory And Hypotheses

The strategic HRM literature has long argued that strategically aligned employee behavior is instrumental in achieving strategic goals (Wright, McMahan, & McWilliams, 1994; Wright & Snell, 1991). How exactly employees are persuaded to behave in strategic alignment has been a topic of more recent discussion. Theories of organizational culture propose that employees support strategy execution to the extent that they agree about what is valued by the organization, and personally believe in these values (Chatman & Cha, 2003). Likewise, theories of organizational climate suggest that strategically aligned behavior is dependent on the degree to which employees share perceptions of what is important, and what behaviors are expected and rewarded (Bowen & Ostroff, 2004). While both perspectives are focused at the aggregate level, individual perceptions are implicit as the origins of such collective phenomena (Kuenzi & Schminke, 2009).

Bowen and Ostroff (2004) propose perceptions of relevance and fairness as two factors determining the “strength” of a HRM practice; that is, the degree to which employees share perceptions of what is important in the organization. Relevance refers to whether employees perceive the HRM practice and its prescribed behaviors as pertinent and important to reaching an important goal. It refers both to organizational relevance (i.e., strategic importance) and personal relevance (i.e., individual value), as both organizational and personal goals are considered. Perceived fairness, on the other hand, refers to employee perceptions of whether HRM practices are fair, according to theories of organizational justice. Perceived fairness can be based on outcomes (distributive justice), the procedures for determining outcomes (procedural justice), or the implementation or explanations for HRM practices (interactional justice) (Bowen, Gilliland, & Folger, 1988).

Bowen and Ostroff (2004) actually propose nine factors that determine the strength of a HRM practice. Five factors are related to the execution of such practices (visibility, understandability, validity, consistency, and agreement among HR decision makers). Four factors are related to employee perceptions of the HRM practice, including relevance and fairness. Other factors pertaining to employee perception include legitimacy of authority, the degree to which employees perceive actions to be legitimately sanctioned, and instrumentality,

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the degree to which employees anticipate the likely consequences of behavior. The purpose of this study is to understand employee perceptions of competency models, not evaluate their execution. Accordingly, I focus only the employee perception factors from Bowen and Ostroff's (2004) framework. Further, as it is suggested that employee tension towards competency models could result from lack of trust in management's strategy or not understanding their individual fit, or from their aversion for taking personal responsibility for career trajectories, relevance and fairness are determined the most appropriate factors in this research. Accordingly, PCM is defined in this research as *the degree to which employees perceive the organization's competency model to be both strategically and personally relevant and fair*. PCM will be operationalized along three dimensions: (1) strategic relevance: the employees' belief that the competency model is pertinent and important in reaching the goals of the organization, (2) personal relevance: the employees' belief that the competency model is valuable in reaching his or her personal goals, and (3) fairness: perception of fairness in terms of distributive, procedural, and interactional justice.

Based on the literature reviewed thus far, the assumption of the current research is that employees who perceive high levels of PCM (high levels of relevance and fairness) will respond to competency models differently than employees who perceive low levels of PCM (low levels of relevance and fairness). Further, it is suggested that exchange relationships will either provide further explanation of (i.e., mediate) the relationship between PCM and employee responses, or change the strength of (i.e., moderate) the relationship between PCM and employee responses. In the following sections, the employee responses identified in this research are defined, as is their hypothesized relationship to PCM. Exchange relationships are also defined, and their role as either mediator or moderator in the relationship between PCM and employee responses is hypothesized.

### ***Employee Responses***

The employee responses presented in this research comprise those work-related attitudes and behaviors that are theoretically most appropriate within the scope



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of competency-based HRM. They include job performance, organizational citizenship behaviors, employability orientation, and developmental activities.

*Job performance and organizational citizenship*

Job performance refers to the extent to which an individual employee performs their job well. Job performance has long been an important criterion in HRM effectiveness research, as aggregated individual performance is believed to contribute to organizational effectiveness. However, competency-based organizing recognizes the need for employees to contribute beyond job responsibilities (Lawler, 1994). As such, organizational citizenship behavior (OCB) is also an important employee response to account for in this research. OCB refers to those activities that go beyond job responsibilities, to include “contributions not contractually rewarded nor practicably enforceable by supervision or a job description” (Konovsky & Organ, 1996, p. 253). OCB includes helping others in the organization, taking personal initiative to go beyond minimally required levels of performance, and being involved and constructive in the political process of the organization (Podsakoff, et al., 2000). Empirical studies have demonstrated that OCB is also related with organizational effectiveness although some behaviors are more directly related than others (see Podsakoff, et al., 2000 for overview).

Empirical research supports that HRM practices need to increase employees’ emotional attachment to, identification with, and involvement in the organization (i.e., affective commitment) in order to elicit high levels of job performance (Meyer, et al., 1989) and OCB (Organ & Ryan, 1995). Wright and colleagues (2003) suggest that increasing employee commitment to the organization leads them to engage in behavior that increases performance, as opposed to behavior that undermines it. Further, research has demonstrated that employees with strong affective commitment are more likely to exert extra effort towards accomplishing organizational goals (Iverson & Buttigieg, 1999).

Employee perceptions of HRM practices are critical to determine the level of organizational commitment they elicit. Eisenberger and colleagues (1990; 1986) have demonstrated that perceived organizational support (POS), the extent to which an employee perceives the organization to value their

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contributions and cares about their well-being, is an antecedent of affective commitment. Empirical studies suggest that perceptions of supportive HRM practices contribute to the development of POS (Allen, Shore, & Griffeth, 2003). In particular, the perceived fairness of HRM practices, in terms of distributive justice and procedural justice, has been shown have a strong relationship with POS (Allen, Shore, & Griffeth, 2003; Rhoades & Eisenberger, 2002). Perceived fairness is also shown to be directly associated with OCB (Konovsky & Organ, 1996; Organ & Ryan, 1995).

The degree to which employees perceive congruence between their personal values and goals and those held by the organization (called “internalization” within the commitment literature) has also been identified as an important basis for affective commitment (Meyer & Allen, 1997; O'Reilly & Chatman, 1986). Empirical research suggests that employees adopt behaviors that support organizational success when they are consistent with behaviors that support individual values and goals (O'Reilly & Chatman, 1986). Such findings are in-line with Bowen and Ostroff's (2004) proposition that employees must perceive HR practices as relevant to their personal goals to be motivated to act on them (i.e., personal relevance). In fact, Bowen and Ostroff's concept of relevance is based on earlier work of Kelman and Hamilton (1989). Kelman once stated that when individuals decide to adopt a behavior through internalization, he or she tends to perform it under conditions of relevance (1958).

Finally, it can also be argued that employees high on affective commitment must believe that the organization's goals are the “right ones” in order to be committed to act on them. Within the change management literature, Piderit (2000) suggests that unfavorable employee responses to change could be motivated by good intentions to protect the organization's best interests. For example, an employee may show resistance towards a new program because he or she thinks the changes will inhibit high performance. In the context of the current research, and in-line with Bowen and Ostroff's (2004) proposition of perceived strategic relevance, a similar situation could arise if committed employees are not convinced that the competency model is pertinent and important in reaching the goals of the organization. As employees high on affective commitment have been shown to exert extra effort towards

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accomplishing organizational goals (Iverson & Buttigieg, 1999), they could be just as likely to withhold effort from a program they suspect will harm the organization. Such acts of organizational loyalty are addressed within the OCB literature, representing behaviors that include defending the organization against threats (Podakoff, et al., 2000).

In the current study, PCM measures whether employees perceive the organization's competency model to be both strategically and personally relevant, and fair. Based on the discussion above, it can be argued that if an organization's competency model elicits perceptions of fairness, it should, in turn, elicit perceptions of organizational support (POS), and thus, via the bonds of affective commitment, enhance job performance and OCB. Further, it can be argued that if an organization's competency model elicits perceptions of shared values and goals (in this context, signaling personal relevance), affective commitment will be further fostered, again enhancing job performance and OCB. Finally, so long as the competency model is perceived as pertinent and important in reaching the goals of the organization (i.e., strategically relevant), it will not met with resistant behaviors, and thus, the competency model should be positively associated with job performance and OCB. Accordingly, it is hypothesized that:

*Hypothesis 1a: High levels of PCM will be positively associated with job performance and OCB.*

*Hypothesis 1b: Low levels of PCM will be negatively associated with job performance and OCB.*

#### *Employability orientation and developmental activities*

Competency-based HRM requires that employees take initiative in the acquisition of horizontal competencies, so that they are better able to adapt to changing job requirements and contribute to an organization operating within a rapidly changing external environment (Lawler, 1994). Further, competency-based organizing requires that employees take greater personal responsibility for their career development within the organization (Lawler, 1994; Sanchez & Levine, 2009). The concept of employability has developed within this context, indicating, "the continuous fulfilling, acquiring, or creating of work through the

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optimal use of competences” (Van der Heijde & Van der Heijden, 2006, p. 453). Employability orientation is the attitudinal component of employability, referring to “employees’ openness to develop themselves and to adapt to changing work requirements” (Nauta et al., 2009, p. 234). Employability orientation is identified as a precursor to employability activities that proactively develop new competencies in order to accommodate changes in work roles and take on new career trajectories within the organization (Van Dam, 2004).

Employability activities are similar to a dimension of OCB that Podsakoff and colleagues (2000) refer to as “self-development.” Self-development refers to an employee’s voluntary efforts to enroll in activities that improve their knowledge, skills, and abilities, so that they are able to perform better in their current position, or in preparation for higher responsibility positions within the organization (George & Brief, 1992). Theoretically, in situations where flexibility and adaptation are required for organizational success, employability activities and OCB-driven self-development activities could be synonymous. However, there is a critical difference in the motives behind the two approaches. OCB-driven self-development is focused, at least intentionally, on the benefits gained for the organization (Podakoff, et al., 2000). Employability activities, on the other hand, are self-interested. They are focused on the personal benefits of development, specifically in terms of continued employment with the organization and future career development. Further, a recent study by Pierce and Maurer (2009) found that not all developmental activities should be associated with OCB. They found that “work-related development” activities, such as involvement in issue-specific task forces and special projects, taking on challenging assignments and roles in addition to normal duties, and gaining a wider understanding of the business via extra-ordinary work efforts, were more closely associated with OCB than other developmental activities (Pierce & Maurer, 2009). Training, mentoring, and seeking feedback had lower correlations with OCB, although the relationships were still significant. Career planning activities, those often associated with employability, were not found to have a significant relationship with OCB.

In accordance with the preceding discussion on POS, Pierce and Maurer’s (2009) study also demonstrated that employees engage in OCB-driven

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development activities to the extent that positive organization support is perceived (i.e., POS). Pierce and Maurer (2009) suggest these findings imply that if POS is high, then employees will engage in developmental activities for the benefit of the organization. However, if POS is weak, then employee self-development may still occur, but it is likely to be motivated by the anticipated personal benefits. Empirical findings in the employability literature compliment such stated implications. Research has found high POS to be negatively related to employability orientation and employability activities (Van Dam, 2004). This implies that the more an employee believes the organization values his or her contributions and cares about his or her well-being, the less willing he or she may be to engage in activities that aid in such adaptation and career development, i.e., personally motivated developmental activities.

Putting these findings together, it can be argued that high POS should lead to more work-related development activities that intend to benefit the organization, but to less desire to adapt to changing job roles and take on activities that aid in adaptation and career development. Alternatively, low POS should lead to less work-related development that intends to benefit the organization, but to greater desire to adapt to changing job roles and take on activities that aid in adaptation and career development. As identified in the preceding discussion, high levels of PCM should be associated with high levels of POS and affective commitment, garnered by perceived relevance and fairness of the competency model. Low levels of PCM should be associated with low levels of POS and affective commitment. Accordingly, this research proposes that:

*Hypothesis 2a: High levels of PCM will be positively associated with work-related development activities that intend to benefit the organization, but negatively associated with employability orientation and employability activities.*

*Hypothesis 2b: Low levels of PCM will be negatively associated with work-related development activities that intend to benefit the organization, but positively associated with employability orientation and employability activities.*

***Exchange Relationships***

The relationships hypothesized between employee perceptions of competency models and their responses to them could be better understood with an explanation of the mechanisms underlying such relationships. Theory and empirical research suggests that the quality of the exchange relationship between the employee and the organization could play a role in the relationship between PCM and employees responses. Accordingly, this section will introduce exchange relationships and outline the hypotheses concerning their expected role in the current research model.

Blau's (1964) exchange theory states that human relationships can be understood in terms of an exchange of perceived equivalent values. Our relationships with others take on a sort of balancing act, where those who "give" will want to receive something equivalent in return, while those who "receive" will feel obligated to reciprocate. Under this same premise, the relationship between employee and organization can be regarded as an exchange relationship. Employee perception is paramount in understanding the nature of the employee-organization exchange relationship, as it is the individual's interpretation of the meaning of the exchange that defines it (Shore, et al., 2006). Accordingly, POS is part of the exchange construct, referring to the employee's perception of the organization's commitment to them (the employer side of the exchange) which is reciprocated with equivalent levels of commitment and performance (Eisenberger, et al., 1986; Eisenberger, Fasolo, & Davis-LaMastro, 1990).

Two categories of exchange relationships are presented in exchange theory. Economic exchange relationships are characterized as time defined, explicitly articulated agreements involving economic or other tangible resources. Economic exchanges define the most basic organization-employee relationships. The company rewards an action taken on behalf of the employee in the interest of the company in equivalent terms, typically by means of salary or another tangible incentive. Alternatively, social exchange relationships are perceived long-term, trust-based relationships based on anticipated reciprocity. Trust is fundamental to social exchange relationships, as the investments made on behalf of each party are done so based on expectations of reciprocity, not

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explicit promises of it (Blau, 1964). Empirical research supports that high levels of POS relate directly to social exchange, whereas low levels of POS relate directly to economic exchange (Shore, et al., 2006).

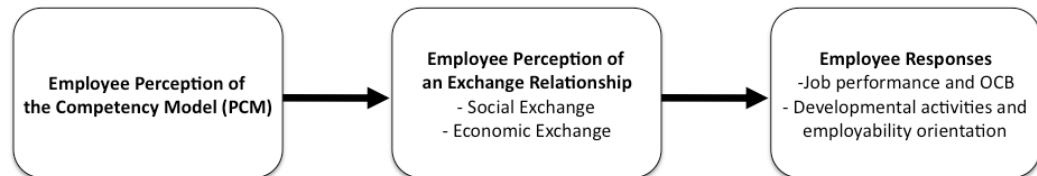
A considerable amount of research has demonstrated that exchange relationships can mediate or moderate the relationship between employee perceptions of firm-level mechanisms and employee responses to them. Some such studies have already been discussed in earlier sections, in terms of POS. For example, Allen, Shore, and Griffeth (2003) found POS to mediate the relationship between supportive HRM activities and employees' organizational commitment and job satisfaction. Further, Rhodes and Eisenberger's (2002) meta-analysis supported POS as a mediator in the positive relationship between several HRM activities and job satisfaction and job performance. Alternatively, Pierce and Maurer (2009) suggest that POS moderates the level of OCB-driven development activities undertaken by employees. In the following sections I present additional research supporting the role of exchange relationships as both mediators and moderators in the relationship between firm-level mechanisms and employee responses, and offer hypotheses for the current study.

#### *Exchange relationship as mediator*

A mediation model suggests that exchange relationships evolve based on the level of organizational support displayed by the organization and perceived by the employee (i.e., POS). The type of exchange relationship that evolves has implications on employee responses. Social exchange relationships should evolve when organizations appear to display high levels of organizational support, which is perceived and acknowledged by the employee. As such, firm-level mechanisms and transactions that produce POS should, in turn, produce a perceived social exchange relationship, which results in positive attitudes and effective work behaviors. Alternatively, when organizations fail to display organizational support (or employees fail to perceive it), an economic exchange relationship could be perceived on behalf employees. Accordingly, firm-level mechanisms and transactions that fail to produce POS, could, in turn, produce perceived economic exchange relationships, resulting in negative attitudes and work behaviors.

The mediation model in the current study refers to perceived exchange relationships as a consequence of PCM, and thus, a determinant of employee responses. Figure 1. illustrates the hypothesized relationships in the current study, with exchange relationships as a mediator.

Figure 1. Mediation model



As we have seen, Allen, Shore, and Griffeth (2003) found POS to mediate the relationship between supportive HRM activities and employee attitudes, including organizational commitment and job satisfaction. Research by Song, Tsui, and Law (2009) has elucidated the concept of “supportive HRM activities,” by identifying how specific, supportive firm-level mechanisms trigger social exchanges, and in turn, more positive employee responses. Specifically, they found that social exchange relationships at least partially mediate the positive link between transformational leadership, integrative organizational culture, and mutual investment employment and employee commitment and task performance. Further, Song and colleagues (2009) identified less supportive firm-level mechanisms, and provided evidence that they trigger economic exchanges, and in turn, more negative employee responses. For example, economic exchange relationships were found to at least partially mediate the negative link between hierarchical organizational culture and quasi-spot contract employment and employee commitment, task performance, and OCB.

The findings of Song and colleagues (2009) provide support for claims that perceived exchange relationships support in translating firm-level mechanisms into employee responses. However, the findings of only partial mediation suggest that other factors could be relevant to shaping employee responses. Further, the study did not demonstrate that social exchange mediates the influence of supportive firm-level mechanisms on employees’ OCB, a surprising finding as research has implied OCB to be in response to POS. Song and colleagues (2009) suggest this finding could be due to measurement issues,



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and therefore, OCB should not yet be discounted as an outcome of perceived exchange relationships.

In the current study, it can be argued that to the extent that an organization's competency model elicits POS, it should also elicit a corresponding exchange relationship. Competency models that elicit high levels POS should, in turn, produce a perceived social exchange relationship, resulting in positive attitudes and effective work behaviors. Competency models that fail to elicit POS should, in turn, produce a perceived economic exchange relationship, resulting in negative attitudes and effective work behaviors. Based on the previous discussions on PCM and POS, theory and empirical findings support that high levels of PCM should relate to high POS, and thus social exchange relationships. Low levels of PCM should relate to low POS, and thus economic exchange relationships. Accordingly, this research proposes that:

*Hypothesis 3a: Social exchange relationships will mediate the positive relationship between PCM and job performance and OCB, including work-related development activities that intend to benefit the organization, and the negative relationship between PCM and employability orientation and employability activities.*

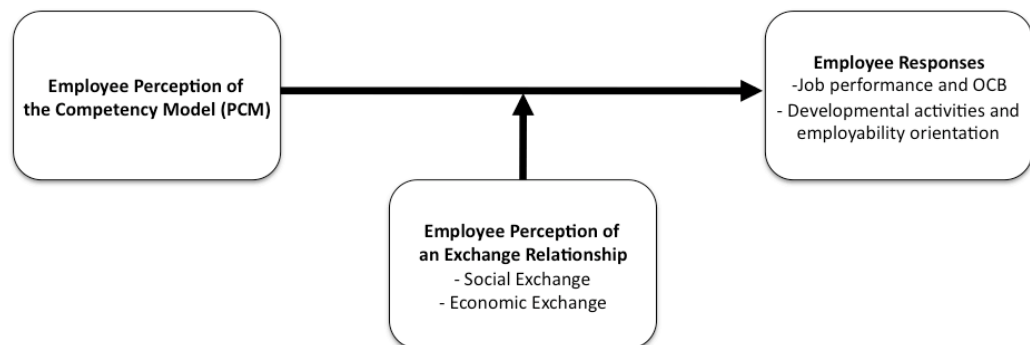
*Hypothesis 3b: Economic exchange relationships will mediate the negative relationship between PCM and job performance and OCB, including work-related development activities that intend to benefit the organization, and the positive relationship between PCM and employability orientation and employability activities.*

#### *Exchange relationship as moderator*

Whereas a mediation model suggests that exchange relationships develop based on employees' level of POS towards a particular firm-level mechanism, a moderation model suggests that POS and the accompanying exchange relationship result from a global evaluation of the employee-organization dynamic, not just one component of it (Eisenberger, et al., 1986). Employees who perceive high levels of organizational support will perceive a social exchange relationship with their organization, and, based on norms of reciprocity, these employees will be more committed to and obliged to respond to firm-level HRM mechanisms. Therefore, whereas the previous mediation model refers to exchange relationships as a consequence of PCM, the moderation model implies

that individual differences in the perceived global exchange relationships with the organization influences the strength of the relationship between PCM and responses to the competency model. That is, perceptions of exchange relationships change the relationship, not just further explain it. Figure 2. illustrates the hypothesized relationships in the current study, with exchange relationships as a mediator.

Figure 2. Moderation model



Empirical research has demonstrated the mediating role exchange relationships can play in the relationship between various firm-level mechanisms and employee responses. For example, Kuuvas (2008) found that employees with high levels of POS (i.e., social exchange relationships) exhibit a more positive relationship between HR practices they perceive as supporting their developmental needs and work performance than employees with low levels of POS. Moreover, his findings support that employees with low levels of POS (i.e., economic exchange relationships) exhibit a more negative relationship between HR practices they perceive as supporting their developmental needs and work performance than employees with high levels of POS. Further, they exhibit more negative responses than employees who do not perceive the organization's HR practices as supporting their developmental needs. This suggests that employees' perceiving economic exchange relationships with their organization may be reluctant to comply with firm-level activities they perceive as trying to "show they care," and could be more prone to partake in HRM activities out of self-interest as opposed to in the interest of the organization (Kuvaas, 2008). As Kuvaas' (2008) "developmental activities" included career development, training opportunities, and performance appraisal, it is easy to relate this finding back to our earlier discussion on developmental activities and employability activities. As

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suggested by Pierce and Maurer (2009), if POS is weak, then employee self-development may still occur, but it is likely to be motivated by the anticipated personal benefits. Further, the findings of Van Dam (2004) suggest that employability activities (i.e., self-interested developmental activities) should be more prevalent with POS is weak.

The preceding discussion suggests that employee responses to competency models could be moderated by their perception of the global exchange relationship they perceive with their employer. Based on the empirical findings presented, it is suggested that employee's who perceive social exchange relationships with their employer will be more committed and obliged to act in accordance with the organization's competency model, and thus, will display higher levels of job performance and OCB. Alternatively, employee's who perceive economic exchange relationships with their employer will be less committed and obliged to act in accordance with the organization's competency model, and thus, will display lower levels of job performance and OCB. Further, employees perceiving social exchange relationships will be more prone to partake in developmental activities for the benefit of the organization (OCB-driven), whereas employees perceiving an economic exchange would be more prone to act in self-interest, and thus would display higher levels of employability orientation and employability activities. Accordingly, the hypotheses for moderation are:

*Hypothesis 4a: Employee perceptions of a social exchange relationship will result in more positive relationships between PCM and job performance and OCB, including work-related development activities that intend to benefit the organization, and more negative relationships between PCM and employability orientation and employability activities.*

*Hypothesis 4b: Employee perceptions of an economic exchange relationship will result in more negative relationships between PCM and job performance and OCB, including work-related development activities that intend to benefit the organization, and more positive relationships between PCM and employability orientation and employability activities.*

## **Proposed Methodology**

Below summarizes the procedure and sample planned for the current research, as well as the measures proposed for collecting all quantitative data.

### ***Procedure and Sample***

A quantitative, cross-sectional study is planned for the current research. Organizations with sufficient and well-implemented competency models, determined through both external and internal assessment, have been invited to participate. Further, all participating organizations must agree to procure 100+ employees to participate in the study, and confirm at least 30 responses. Capgemini Consulting (Oslo) has led the recruitment process. At present, three Norwegian organizations are confirmed to participate in the research: Capgemini (Oslo), Software Innovation, and Statsbygg. Three additional organizations are pending confirmation. All confirmed organizations are in the process of determining what employee groups will participate.

Questionnaires have been developed for the study, including both new and existing measures. The questionnaires will be distributed electronically at two time periods to delegated contacts in participating organizations. These contacts will, in turn, distribute the questionnaires to participating employee groups. In early February 2011, the first questionnaire will be distributed, collecting data on PCM and perceptions of exchange relationships. In early March 2011, the second questionnaire will be distributed, collecting data on employee responses. This second questionnaire will be supplemented with supervisor ratings of job performance and OCB.

### ***Measures***

Six variables will be measured on individual scales. Below summarizes the proposed scales to be used. All items will be measured on a five-point Likert response scale ranging from 1 (strongly disagree) to 5 (strongly agree). All scales are provided in English in the Appendix. Each scale will be provided to participating employees in the local operating language.

*Independent variable*

PCM will be measured on a scale developed for the purpose of this study. This scale is based on the concepts of relevance and fairness presented by Bowen and Ostroff (2004), based on the earlier works of Kelman and Hamilton (1989) and Bowen, Gilliland, and Folger (1988). Further, the fairness items are based on Colquitt's (2001) validated measure. Example items include, "I believe that the organization's competency model is relevant to the strategic goals of the organization," and "I believe I am rewarded fairly for behaving in line with the organization's competency model." However, as companies generally call their competency models by a specific name, (e.g., Statsbygg's "Project Manager Program"), each item in the PCM scale will be tailored to the participating company by exchanging "competency model" with the specific program name. The wording of the items will otherwise be identical.

*Mediating/moderating variable*

Social and economic exchange relationships will be measured with a 14-point scale created by Shore and colleagues (2006). Six-items measure economic exchange relationships and eight-items measure social exchange relationships.

*Dependent variables*

Two scales measuring employee performance outcomes have been selected to differentiate between job performance and OCB. Job performance will be measured with a ten-item scale developed and validated by Kuvaas and Dysvik (2009) to capture how much effort employees put into their jobs as well as the quality of their work. OCB will be measured with a eight-item scale focused on OCB's directed at contextual performance and improving the organization, but not including self-development activities, which will be included in a separate measure. Seven items are from the research of Van Dyne & Lepine (1998), however, with the term "work group" replaced with "organization" for all items and with slight modifications in the wording to make it clear that such behaviors go beyond what is expected in the job role. One additional item comes from Smith, Organ, and Near (1983), although several of the Van Dyne & Lepine (1998) items are also on the list of OCB behaviors identified by Smith and colleagues

(1983). Job performance and OCB will be rated both by employees (self-report scales) and line managers (leader-report scale).

Employability orientation will be measured with a five-item scale adapted from Van Dam's (2004) seven-item scale, intended to collect data on employee attitudes towards changes in their work situation and personal development. Two items have been deleted from the Van Dam (2004) scale, because they are determined too specific to attitudes towards organizational change as opposed to general employability attitudes. The omitted questions were, "In case of organizational changes, I would prefer to stay in my present job," and "In case of organizational changes, I would prefer to stay in my department with my colleagues." Further, one item was extended to more directly indicate employability orientation. "I find it important to participate in development activities regularly" was supplemented with "in order to make myself more employable within the organization." Developmental activities, including both work-related development and employability activities, will be measured with a seven-item scale that was developed for the purpose of the current study, based on prior measures created by Van Dam (2004) and the findings of Pierce and Maurer (2009).

#### *Control variables*

Several control variables have been identified as relevant for this study, including employee gender and tenure with the organization, their position type and level, and their education level. Organization size, and years the organization has employed competency models will also be controlled for.

### **Plan for Data Collection and Thesis Progression**

Below is the planned timeline for data collection and thesis progression between January and September 2011.

<u>Date</u>	<u>Action required</u>
January 2011	<ul style="list-style-type: none"> <li>• Preliminary Thesis Report submitted (Jan 12)</li> <li>• All participating companies confirmed</li> <li>• Scales/questionnaires developed, approved, and translated</li> </ul>

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<u>Date</u>	<u>Action required</u>
February 2011	<ul style="list-style-type: none"><li>• Questionnaire I (PCM &amp; Perceptions of Exchange Relationship scales) distributed to participating companies. Responses due end-Feb.</li></ul>
March 2011	<ul style="list-style-type: none"><li>• Questionnaire II (Employee Response Scales) distributed to participating companies. Responses due end-Mar.</li></ul>
April – May 2011	<ul style="list-style-type: none"><li>• Analysis &amp; results prepared</li></ul>
May – June 2011	<ul style="list-style-type: none"><li>• Discussion &amp; practical implications prepared</li></ul>
June – Aug 2011	<ul style="list-style-type: none"><li>• Final thesis draft prepared &amp; submitted by Sep 1</li></ul>

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**APPENDIX**

## Measurement Scales

***PCM Scale****Relevance items*

1. I believe that the organization's competency model is relevant to the strategic goals of the organization.
2. I believe that the behaviors outlined in the organization's competency model are optimally suited for attaining organizational goals.
3. I believe that the behaviors outlined in the organization's competency model are relevant to meeting my personal goals.
4. Adopting the behaviors outlined in the organization's competency model allows me to meet my own needs.
5. I believe that my personal values and goals fit well within those of the organization's competency model.

*Fairness items*

6. I believe I am rewarded fairly for behaving in line with the organization's competency model.
7. I feel that the organization's competency model is applied consistently.
8. I feel that I am able to express my views and feelings towards the organization's competency model and its implementation.
9. I feel that the organization's competency model respects the unique contributions that I bring to the organization.
10. I feel that my local management has provided sufficient explanation of the purpose of the organization's competency model.
11. I feel that my local management has provided sufficient explanation of the procedures associated with the organization's competency model.
12. I feel that my manager supports my compliance with the organization's competency model.

***Exchange Relationship Scale***

1. My relationship with my organization is strictly an economic one - I work and they pay me.
2. I do not care what my organization does for me in the long run, only what it does right now.
3. My efforts are equal to the amount of pay and benefits I receive.
4. I only want to do more for my organization when I see that they will do more for me.
5. I watch very carefully what I get from my organization, relative to what I contribute.
6. All I really expect from my organization is that I be paid for my work effort.
7. My organization has made a significant investment in me.
8. The things I do on the job today will benefit my standing in this organization in the long run.
9. There is a lot of give and take in my relationship with my organization.
10. I worry that all my efforts on behalf of my organization will never be rewarded. [R]

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11. I don't mind working hard today - I know I will eventually be rewarded by my organization.
  12. My relationship with my organization is based on mutual trust.
  13. I try to look out for the best interest of the organization because I can rely on my organization to take care of me.
  14. Even though I may not always receive the recognition from my organization I deserve, I know my efforts will be rewarded in the future.

### ***Job Performance Scale***

#### *Self-report scale*

1. I try to work as hard as possible
2. I intentionally expend a great deal of effort in carrying out my job
3. I often expend extra effort in carrying out my job
4. I often expend more effort when things are busy at work
5. I usually don't hesitate to put in extra effort when it is needed
6. The quality of my work is usually high
7. The quality of my work is top-notch
8. I deliver higher quality than what can be expected
9. I rarely complete a task before I know that the quality meets high standards
10. Others in my organization look at my work as typical high quality work

#### *Leader-report scale*

1. He/she tries to work as hard as possible
2. He/she intentionally expends a great deal of effort in carrying out his/her job
3. He/she often expends extra effort in carrying out his/her job
4. He/she often expends more effort when things are busy at work
5. He/she usually don't hesitates to put in extra effort when it is needed
6. The quality of his/her work is usually high
7. The quality of his/her work is top-notch
8. He/she delivers higher quality than what can be expected
9. He/she rarely completes a task before her/she knows that the quality meets high standards
10. Others in my organization look at his/her work as typical high quality work

### ***OCB Scale***

#### *Self-report scale*

1. I volunteer to do things for my organization that are not required.
2. I help orient new employees into the organization, even though it is not required of me.
3. I attend functions that help my organization, even though they are beyond the formal requirements of my job.
4. I assist others with their work for the benefit of the organization.
5. I get involved in order to benefit my organization.
6. I help others in my organization to learn about the work.
7. I help others in my organization with their work responsibilities.
8. I make innovative suggestions to improve the organization.

*Leader-report scale*

1. He/she volunteers to do things for my organization that are not required.
2. He/she helps orient new employees into the organization, even though it is not required of me.
3. He/she attends functions that help my organization, even though they are beyond the formal requirements of my job.
4. He/she assists others with their work for the benefit of the organization.
5. He/she gets involved in order to benefit the organization.
6. He/she helps others in the organization to learn about the work.
7. He/she helps others in the organization with their work responsibilities.
8. He/she makes innovative suggestions to improve the organization.

***Employability Orientation Scale***

1. If the organization needs me to perform different tasks, I am prepared to change my work activities.
2. I find it important to develop myself in a broad sense, so I will be able to perform different tasks or jobs within the organization.
3. I find it important to participate in development activities regularly in order to make myself more employable within the organization.
4. I am willing to start in another job within the organization.
5. If the organization offered me a possibility to obtain new work experiences, I would take it.

***Developmental Activities Scale****Employability activities items*

1. I do a lot to manage my career within the organization.
2. I make sure to be informed about internal job vacancies.
3. I have been looking for possibilities to change my working situation.
4. I seek out developmental activities that benefit my employability within the organization.

*Work-related development items*

5. I proactively take on assignments and roles in addition to my normal job duties.
6. I try to gain a wider understanding of the business by taking on additional assignments and projects.
7. I seek out developmental activities that I know will be most beneficial to the organization.